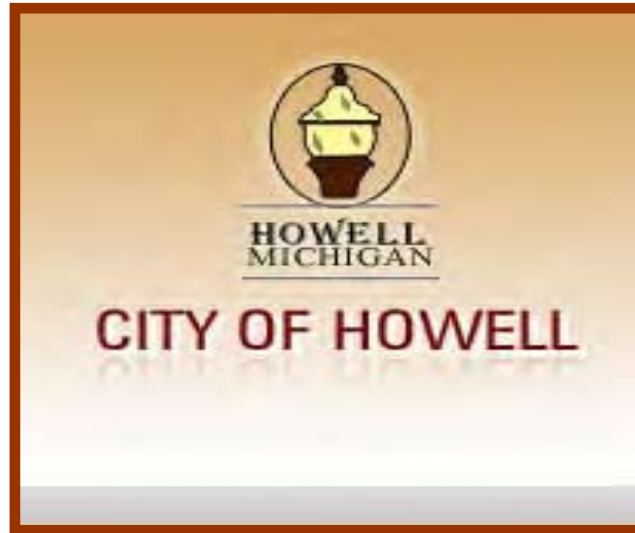


CITY OF HOWELL, MICHIGAN



COMPREHENSIVE ANNUAL FINANCIAL REPORT

**For the Fiscal Year Ended
June 30, 2008**

Prepared by:

Finance Department

CITY OF HOWELL, MICHIGAN
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2008

TABLE OF CONTENTS

	<u>PAGE</u>
INTRODUCTORY SECTION	
Letter of Transmittal.....	i-iii
Organizational Chart	iv
List of Elected and Appointed Officials.....	v
GFOA Certificate	vi
 FINANCIAL SECTION	
Independent Auditors' Report	1-2
Management's Discussion and Analysis.....	3-13
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	14
Statement of Activities.....	15-16
Fund Financial Statements:	
Balance Sheet – Governmental Funds	17
Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds to Net Assets of Governmental Activities on the Statement of Net Assets	18
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	19
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	20
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual:	
General Fund	21-22
Parks and Recreation Special Revenue Fund	23
Statement of Net Assets – Proprietary Funds	24
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds	25
Statement of Cash Flows – Proprietary Funds.....	26-27
Statement of Fiduciary Net Assets – Fiduciary Funds.....	28
Statement of Changes in Fiduciary Net Assets – Retiree Health Care Trust Fund.....	29
Combining Statement of Net Assets – Component Units.....	30
Combining Statement of Activities – Component Units	31
Notes to the Financial Statements.....	32-54

CITY OF HOWELL, MICHIGAN
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2008

TABLE OF CONTENTS

	<u>PAGE</u>
Combining and Individual Fund Financial Statements and Schedules:	
Combining Balance Sheet – Nonmajor Governmental Funds	55
Combining Statement of Revenues, Expenditures and Changes in	
Fund Balances – Nonmajor Governmental Funds	56
Combining Balance Sheet – Nonmajor Special Revenue Funds	57-58
Combining Statement of Revenues, Expenditures and Changes in	
Fund Balances – Nonmajor Special Revenue Funds	59 - 60
Schedule of Revenues, Expenditures, and Changes in Fund Balances –	
Budget and Actual – Nonmajor Special Revenue Funds	61 - 67
Combining Balance Sheet – Nonmajor Debt Service Funds	68
Combining Statement of Revenues, Expenditures and Changes in	
Fund Balance – Nonmajor Debt Service Funds	69
Combining Balance Sheet – Nonmajor Capital Projects Funds	70 - 71
Combining Statement of Revenues, Expenditures and Changes in	
Fund Balance – Nonmajor Capital Projects Funds	72 - 73
Combining Statement of Net Assets – Internal Service Funds	74
Combining Statement of Revenues, Expenses and Changes in	
Fund Net Assets – Internal Service Funds	75
Combining Statement of Cash Flows – Internal Service Funds	76 - 77
Statement of Changes in Assets and Liabilities – Tax Revolving	
Agency Fund	78
Statement of Net Assets and Governmental Funds Balance Sheet –	
Downtown Development Authority Component Unit	79
Reconciliation of Fund Balances on the Balance Sheet for Governmental	
Funds to Net Assets of Governmental Activities on the Statement of	
Net Assets – Downtown Development Authority Component Unit	80
Statement of Activities and Governmental Fund Revenues, Expenditures	
and Changes in Fund Balance – Downtown Development Authority	
Component Unit	81
Reconciliation of the Statement of Revenues, Expenditures and Changes	
in Fund Balances of Governmental Funds to the Statement of	
Activities – Downtown Development Authority Component Unit	82
Statement of Revenues, Expenditures, and Changes in Fund Balance –	
Budget and Actual – Downtown Development Authority Component Unit	83
Statement of Net Assets and Governmental Funds Balance Sheet –	
Tax Increment Financing Authority Component Unit	84
Reconciliation of Fund Balances on the Balance Sheet for Governmental	
Funds to Net Assets of Governmental Activities on the Statement of	
Net Assets – Tax Increment Financing Authority Component Unit	85

CITY OF HOWELL, MICHIGAN
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2007

TABLE OF CONTENTS

	<u>PAGE</u>
Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balance – Tax Increment Financing Authority Component Unit	86
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities – Tax Increment Financing Authority Component Unit	87
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Tax Increment Financing Authority Component Unit	88
Statement of Net Assets and Governmental Funds Balance Sheet – Brownfield Redevelopment Authority Component Unit.....	89
Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balance – Brownfield Redevelopment Authority Component Unit	90
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Brownfield Redevelopment Authority Component Unit	91
STATISTICAL SECTION	
Description of Statistical Section	92
Net Assets by Component	93
Changes in Net Assets	94-95
Fund Balances – Governmental Funds	96-97
Changes in Fund Balances – Governmental Funds	98-99
Changes in Fund Balances – General Fund.....	100-101
Taxable and Estimated Actual Value of Property	102
Direct and Overlapping Property Tax Rates	103
Principal Property Taxpayers	104
Property Tax Levies and Collections	105
Ratios of Outstanding Debt by Type	106
Ratios of General Bonded Debt Outstanding	107
Computation of Net Direct and Overlapping Debt	108
Legal Debt Margin	109
Revenue Bond Coverage – Water Fund	110
Demographic and Economic Statistics	111
Principal Employers	112
Full-Time Equivalent Government Employees.....	113
Operating Indicators by Function/Program	114
Capital Asset Statistics by Function/Program	115

INTRODUCTORY SECTION



**HOWELL
MICHIGAN**

CITY MANAGER'S OFFICE: 611 E. Grand River • Howell, MI 48843

(517) 546-3502 • FAX: (517) 546-6030

November 19, 2008

**To the Honorable Mayor, Members of the City Council
and Citizens of the City of Howell:**

State law requires that all local governments, subject to certain size criteria, publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. This report is published to fulfill that requirement for the fiscal year ended June 30, 2008.

Management assumes full responsibility for the completeness and reliability of all of the information contained in this report, based on a comprehensive framework of internal control that is established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatement.

Rehmann Robson, a firm of licensed certified public accountants, has issued an unqualified opinion on the City of Howell's financial statements for the year ended June 30, 2008. The independent auditor's report is presented at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview and analysis of the basic financial statements. MD&A complement this letter of transmittal and should be read in conjunction with it.

Profile of the Government

As the county seat, the City of Howell is centrally located within Livingston County. It was platted in 1835 and later incorporated in 1863. The City of Howell is the most populated city in the County. The City currently has a land area of approximately 4.9 square miles and a population of 9,232 based on the 2000 census. The government is empowered to levy a property tax on both real and personal property located within its boundaries. The government also has the power by state statute to extend its corporate limits by annexation, which is done periodically, when deemed appropriate by the City Council.

The City has operated under the council-manager form of government since 1955. All powers of the City shall be vested in and all matters of policy of the City shall be exercised and determined by a Council of seven members composed of the Mayor and six Council members. The Council shall hold at least two regular meetings per month. The Council is the City's legislative and policy making body. Council is responsible for adopting the annual budget, contracts, laws, ordinances and resolutions; approving purchases; and granting permits and license terms. Council members are elected at large to four year, staggered terms; elections are held in November of odd years. City Council is responsible for setting City government and serves as the direct citizen's link to City Hall. City Council appoints the City Manager, Clerk, Treasurer, Attorney and Assessor. The government's manager is responsible for carrying out the policies and ordinances of the governing council, for supervising the day-to-day operations of the government, and for appointing the heads of the government's departments.

The City provides a full range of services, including: police; the construction and maintenance of highways, streets and other infrastructure; sanitary sewage treatment and disposal; water treatment and distribution; economic development; recreational activities; and cultural events. The City is also financially accountable for certain legally separate entities, which are reported separately within the City's financial statements. Additional information on each of these legally separate entities can be found in the notes to the basic financial statements.

The City Council is required to adopt a final budget by the third Monday in May for the ensuing fiscal year. This annual budget serves as the foundation for the City's financial planning and control. The budget is prepared by fund, function and department. Department heads may transfer resources within a department as they see fit. Transfers between departments, however, require approval of the governing council.

Factors Affecting Economic Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the environment within which the City operates as described below:

Local economy. Many municipalities in Michigan are struggling to address the fundamental flaws in the existing local government financing system. The combined effects of Proposal A and the Headlee Amendment caps a city's ability to generate revenue at the rate of inflation, while the costs of providing services continues to increase faster than inflation. The State and Federal Government also limit a City's ability to raise non-tax revenue.

The City's taxable valuation of \$407,867,563 represents a 3.9% increase over the previous year. The ratio of total City tax collections to date for tax year 2007 (current and delinquent) to the current tax levy is 99.9%

The State of Michigan is currently in the midst of a fundamental economic shift from a manufacturing base to a new economy. Many national forces are also having a profound impact on the State: a slowing national economy, the foreclosure crisis and increased energy costs. While many would view this as a time to forego various projects, the City is moving forward on ensuring the economic health and vitality of the City's future.

Long-term financial planning. Continued economic development looks challenging, but favorable for the future. The City continues to refine and update its five year financial forecast model to address changes and trends identified. By seeing what potential outcomes are available, the City can position itself to more adequately deal with its future.

The City has 34 miles of streets, 22 which have undergone major rehabilitation. The City has developed a comprehensive plan to reconstruct the 11 miles of streets that have not been previously worked on. The plan addresses streets, storm sewers, water and sanitary sewers and utilizes low cost Michigan Municipal Bond Authority Drinking Water Revolving Fund financing. The time frame for project will be phased in over a three year period.

Finally, an increasing financial challenge for the City is the cost of employee benefits both for current and retired employees. The City will be required under Government Accounting Standards Board (GASB) No 45 to begin to calculate and report on the other postemployment benefits (OPEB). The City will be required to calculate an estimate of the nonpension benefits for the City's retirees and potential future retirees such as health care and report the accrued liability on the financial statements. This will be a change from the current pay-as-you-go system. While GASB No 45 only addresses the reporting of the liability, the City will need to determine how to handle this unfunded liability.

Relevant financial policies. The City has recently reviewed some of its financial policies and procedures and made changes to ensure that adequate controls are in place. The City increased its utility rates for a second year based on a utility rate study done in a prior fiscal year.

Major initiatives. On July 1, 2008 the City's Parks and Recreation Department will become the Howell Area Recreation Authority. The authority will assume all operations resulting in cost saving to the City of \$160,000. The City continues to work on the development of the Loop Road project, which will eventually provide increased tax base and redevelopment opportunities.

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the finance and administration departments. We wish to express our appreciation to all members of the departments who assisted and contributed to the preparation of this report. Credit also must be given to the mayor and the governing council for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Howell's finances.

Respectfully submitted,



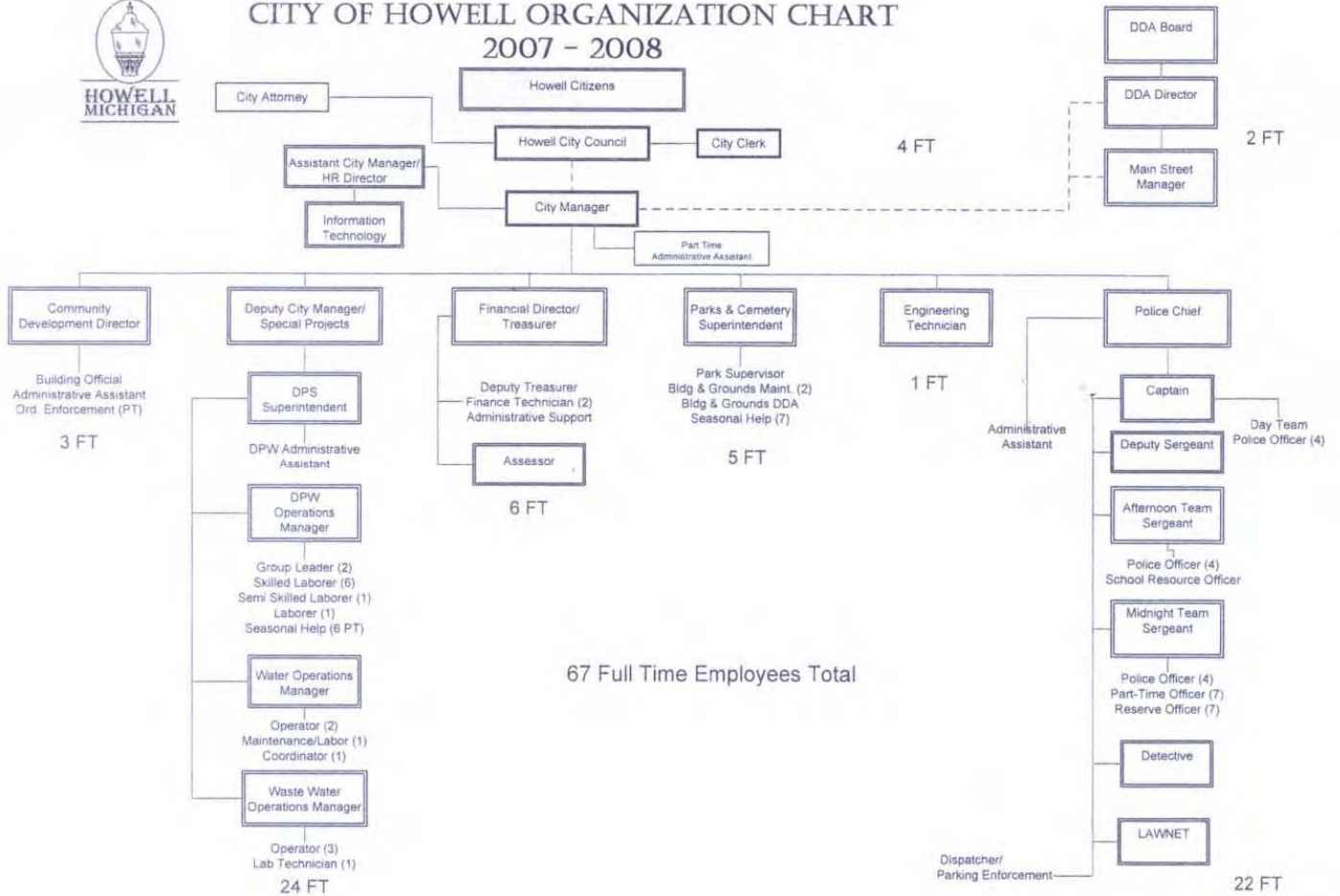
Reid S. Charles II
City Manager



Catherine M. Stanislawski
Treasurer / Finance Director



CITY OF HOWELL ORGANIZATION CHART 2007 - 2008



CITY OF HOWELL, MICHIGAN
List of Elected and Appointed Officials
For the Fiscal Year Ended June 30, 2008

Elected Officials

Geraldine K. Moen
Steve Manor
Dawn Cooper
Tom Malloy
Scott Niblock
Scott Patton
Paul Rogers

Mayor
Mayor Pro Tem
Councilmember
Councilmember
Councilmember
Councilmember
Councilmember

Appointed Officials

Reid S. Charles II
Jane Cartwright
Catherine M Stanislowski
Dennis Perkins

City Manager
City Clerk
Finance Dir/Treasurer
City Attorney

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Howell
Michigan

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2007

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Charles S. Cox

President

Jeffrey R. Emer

Executive Director

FINANCIAL SECTION



REHMANN ROBSON

Certified Public Accountants

A member of **THE REHMANN GROUP**



INDEPENDENT AUDITORS' REPORT

November 19, 2008

The Honorable Mayor and
Members of the City Council
City of Howell
Livingston County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the **CITY OF HOWELL, MICHIGAN**, as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Howell, Michigan, as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparisons for the general fund and each major special revenue fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 3-13 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Howell's basic financial statements. The introductory section, combining and individual fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly presented, in all material respects, in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

As management of the *City of Howell, Michigan*, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2008. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i-iv of this report.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$49,383,317 (*net assets*). Of this amount, \$6,202,859 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets decreased by \$452,808.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$4,526,157, a decrease of \$330,442 in comparison with the prior year. Approximately 87.0 percent of this total amount, or \$3,937,932, is *available for spending* at the government's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$1,699,156 or 19 percent of total general fund expenditures and transfers out
- The City's total bonded debt decreased by \$735,000 during the current fiscal year. No new debt was issued during the year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, public works, parks and recreation, and community development. The business-type activities of the City include water and sanitary sewer operations.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also legally separate entities for which the City is financially accountable. Financial information for these *component units* are reported separately from the financial information presented for the primary government itself. The City of Howell Building Authority, although also legally separate, functions for all practical purposes as a department of the City, and therefore has been included as an integral part of the primary government.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains 25 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general and parks and recreation special revenue funds, each of which are considered to be major funds. Data from the other 23 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements or schedules have been provided herein to demonstrate compliance with those budgets.

Proprietary funds. The City maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its wastewater and water operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its public works services, general maintenance equipment and self-insurance program. Because these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water supply and sewage disposal operations, both of which are considered to be major funds of the City.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information. The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the notes to the financial statements.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Howell, assets exceeded liabilities by \$49,383,317 at the close of the most recent fiscal year.

By far the largest portion of the City's net assets (77.9 percent) reflects its investment in capital assets (e.g., land, buildings, vehicles, equipment and infrastructure), less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net assets (9.6 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (12.6 percent or \$6,202,859) may be used to meet the government's ongoing obligations.

City of Howell's Net Assets

	Governmental activities		Business-type activities		Total	
	2008	2007	2008	2007	2008	2007
Current and other assets	\$ 7,037,940	\$ 7,395,204	\$ 5,187,539	\$ 4,914,627	\$ 12,225,479	\$ 12,309,831
Capital assets	16,993,522	17,214,336	24,685,635	25,398,459	41,679,157	42,612,795
Total assets	24,031,462	24,609,540	29,873,174	30,313,086	53,904,636	54,922,626
Long-term liabilities outstanding	2,761,918	3,229,644	865,372	1,074,861	3,627,290	4,304,505
Other liabilities	737,791	643,777	156,238	138,219	894,029	781,996
Total liabilities	3,499,709	3,873,421	1,021,610	1,213,080	4,521,319	5,086,501
Net assets:						
Invested in capital assets, net						
of related debt	14,543,522	14,279,336	23,913,728	24,389,250	38,457,250	38,668,586
Restricted	2,041,072	1,491,799	2,682,136	2,715,282	4,723,208	4,207,081
Unrestricted	3,947,159	4,964,984	2,255,700	1,995,474	6,202,859	6,960,458
Total net assets	<u>\$ 20,531,753</u>	<u>\$ 20,736,119</u>	<u>\$ 28,851,564</u>	<u>\$ 29,100,006</u>	<u>\$ 49,383,317</u>	<u>\$ 49,836,125</u>

At the end of the current fiscal year, the City reports positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. Positive balances for all categories were reported the prior fiscal year.

The government's net assets decreased by \$452,808 during the current fiscal year. The primary reasons for this decrease are increased investment in: the neighborhood sidewalk program, recreational opportunities and infrastructure of the City.

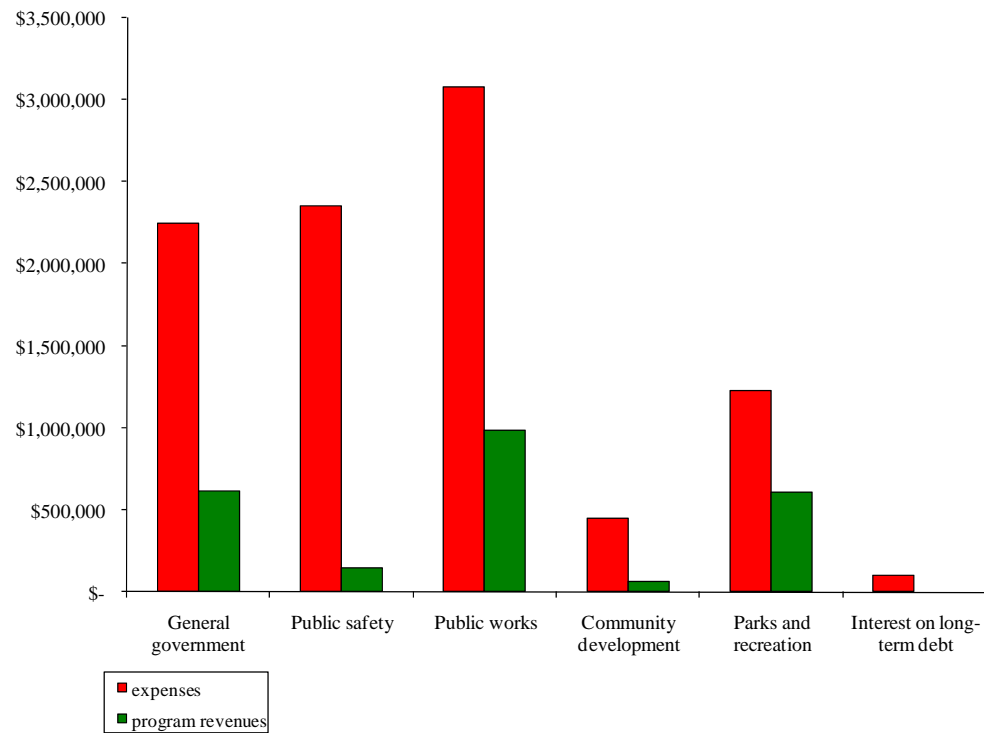
City of Howell's Changes in Net Assets

	Governmental activities		Business-type activities		Total	
	2008	2007	2008	2007	2008	2007
Revenue:						
Program revenue:						
Charges for services	\$ 1,225,174	\$ 1,311,888	\$ 3,335,940	\$ 3,190,942	\$ 4,561,114	\$ 4,502,830
Operating grants and contributions	1,104,710	1,205,603	28,735	14,516	1,133,445	1,220,119
Capital grants and contributions	78,410	-	48,007	151,740	126,417	151,740
General revenue:						
Property taxes	5,664,783	5,497,264	-	-	5,664,783	5,497,264
Grants and contributions not restricted to specific programs	840,367	845,387	-	-	840,367	845,387
Other	266,225	300,408	148,706	133,210	414,931	433,618
Total revenue	<u>9,179,669</u>	<u>9,160,550</u>	<u>3,561,388</u>	<u>3,490,408</u>	<u>12,741,057</u>	<u>12,650,958</u>
Expenses:						
General government	2,243,338	2,268,264	-	-	2,243,338	2,268,264
Public safety	2,353,856	2,222,617	-	-	2,353,856	2,222,617
Public works	3,077,158	2,506,196	-	-	3,077,158	2,506,196
Community development	445,503	458,052	-	-	445,503	458,052
Parks and recreation	1,226,387	1,033,796	-	-	1,226,387	1,033,796
Interest on long-term debt	101,267	114,357	-	-	101,267	114,357
Wastewater	-	-	1,582,252	1,750,566	1,582,252	1,750,566
Water	-	-	2,164,104	1,894,502	2,164,104	1,894,502
Total expenses	<u>9,447,509</u>	<u>8,603,282</u>	<u>3,746,356</u>	<u>3,645,068</u>	<u>13,193,865</u>	<u>12,248,350</u>
Change in net assets before transfers	(267,840)	557,268	(184,968)	(154,660)	(452,808)	402,608
Transfers	63,474	62,740	(63,474)	(62,740)	-	-
Change in net assets	(204,366)	620,008	(248,442)	(217,400)	(452,808)	402,608
Net assets - beginning of year	<u>20,736,119</u>	<u>20,116,111</u>	<u>29,100,006</u>	<u>29,317,406</u>	<u>49,836,125</u>	<u>49,433,517</u>
Net assets - end of year	<u>\$ 20,531,753</u>	<u>\$ 20,736,119</u>	<u>\$ 28,851,564</u>	<u>\$ 29,100,006</u>	<u>\$ 49,383,317</u>	<u>\$ 49,836,125</u>

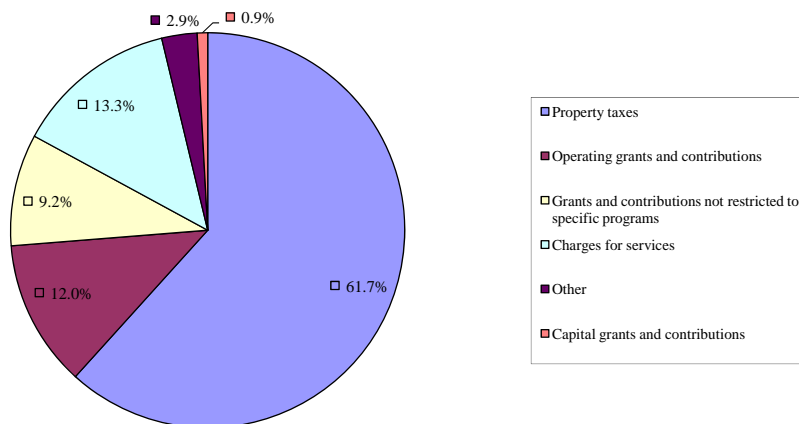
Governmental activities. Governmental activities decreased the City's net assets by \$204,366 in the current fiscal year; by comparison, in the prior year governmental activities net assets increased by \$620,008, a change of just under \$416,000. Key elements of this change include:

- In the current fiscal year the City implemented a sidewalk rehabilitation program for \$136,000.
- The City instituted increased investment to the Local Street Asset management program of \$205,000.
- In the prior fiscal year the City realized revenues in the areas of: investment income (\$49,000), building permit fees (\$119,000) and other sources (\$107,000) that were not sustained in the current fiscal year.

Expenses and Program Revenues - Governmental Activities

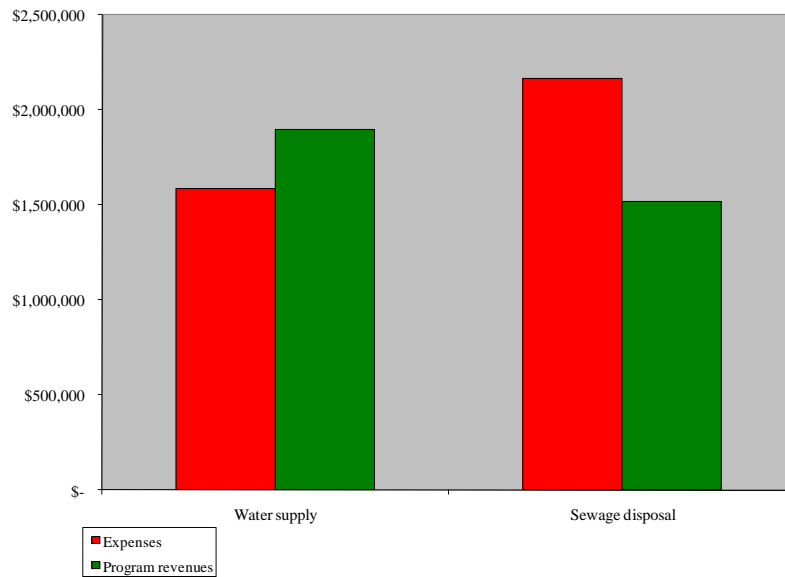


Revenues by Source - Governmental Activities

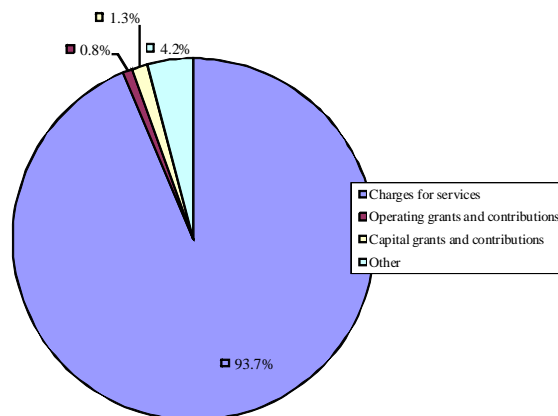


Business-type activities. Business-type activities decreased the City's net assets by \$248,442 as compared to a decrease of \$217,400 in the previous fiscal year. While the decreases remain fairly stable, factors contributing to current year decrease include: a decrease in capital contributions from \$151,740 in fiscal 2007 to \$48,007 in fiscal 2008 and investment in a remote reading system of \$79,600. Both costs were offset by an increase in usage fees of approximately \$150,000 over the prior year due to a rate increase instituted during the current year.

Expenses and Program Revenues - Business-type Activities



Revenues by Source - Business-type Activities



Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$4,526,157, a decrease of \$330,445 in comparison with the prior year. Approximately 87% of this total amount or \$3,937,932 constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed to: land held for future development of the downtown area (\$456,497) and prepaid items (\$131,728).

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the general fund was \$1,699,156 while total fund balance was \$1,823,523. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures and transfers out. Unreserved fund balance represents 19 percent of total general fund expenditures and transfers out.

The fund balance of the City's general fund decreased by \$1,491,702 during the current fiscal year, as compared to an increase of \$880,176 for the previous fiscal year. Reflected in this change is the City's continued commitment to improving the City streets. The general fund invested in the following capital projects during the current fiscal year: East Washington Street construction (\$306,000), Sibley Road (\$126,786), the M-59 boardwalk (\$424,239) and the local street asset management program (\$205,000). The City also instituted a sidewalk rehabilitation project for \$136,000. During the current fiscal year the general fund funded the prior year deficits in the D-19 and Loop road projects totaling \$1,118,961 in anticipation of future bonding.

The parks and recreation special revenue fund ended the year with a total fund balance of \$7,361, a decrease of \$7,972. The fund balance is available and can be used for projects in the ensuing year.

Proprietary funds. The City's proprietary funds provide the same type of information found in the business-type activities of the government wide financial statements, but in more detail.

Unrestricted net assets of the water supply and sewage disposal funds at the end of the year amounted to \$1,620,814 and \$658,180, respectively. The sewage disposal fund had a decrease in total net assets for the year of \$548,060, whereas the water supply fund had an increase of \$329,116. The decrease in the sewage disposal net assets was due in a large measure to: decreases in capital contributions of \$51,879, reduced pretreatment fees of \$89,975 for a large

commercial customer (which choose to install its own system), the costs of a remote reading system for \$35,401 and additional consultant fees of \$192,081. All increases were partially offset by a rate increase instituted during the fiscal year of \$112,191. While the water supply fund also experienced a decrease in capital contributions \$51,854 it did realize increased revenues due to the rate increase of \$97,100. Additionally, in the prior fiscal year, the system was required to purchase water from neighboring water authority during rehabilitation of the North Water Tower of \$83,575. Other factors concerning the finances of these two funds have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

Differences between the original and final amended budgets for expenditures were relatively minor and spread across various functions/departments.

For fiscal 2008, the final budgetary estimate for the net change in fund balance was a decrease of \$1,669,254; the actual decrease was \$1,491,702 (or a difference of nearly \$178,000). The most significant positive variances resulted from:

- Lower than anticipated transfers to the Lucy Road Park Recovery and Local Streets funds of \$71,203.
- Increased operational efficiencies in the areas of public safety and public works.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business type activities as of June 30, 2008, amounted to \$41,679,157 (net of accumulated depreciation). This investment in capital assets includes land, buildings and systems, improvements, machinery and equipment, park facilities, roads, highways, and bridges. The net increase in the City's investment in capital assets, exclusive of depreciation, for the current fiscal year was 1.56 percent (a 3.1 percent increase for governmental activities and a 0.8 percent increase for business-type activities).

Major capital asset events during the current fiscal year included the following:

- Construction in progress of the East Washington Street for \$306,000.
- Engineering design of the future Sibley Street construction project for \$126,786.
- Construction in progress for M-59 boardwalk project for \$424,239
- Purchase of a sewer cleaning truck (Vactor) for \$181,400.
- Installation of an in-car video system for all police vehicles for \$54,691.

City of Howell's Capital Assets
(net of depreciation)

	Governmental activities		Business-type activities		Total	
	2008	2007	2008	2007	2008	2007
Land	\$ 1,035,214	\$ 1,035,214	\$ 430,064	\$ 430,064	\$ 1,465,278	\$ 1,465,278
Construction in process	2,592,567	3,124,451	108,733	274,617	2,701,300	3,399,068
Buildings and improvements	3,448,357	3,624,033	21,264,963	21,626,382	24,713,320	25,250,415
Land improvements	1,388,390	968,904	-	-	1,388,390	968,904
Machinery and equipment	1,020,737	920,719	(169,399)	28,821	851,338	949,540
Infrastructure	7,508,257	7,541,015	3,051,274	3,038,575	10,559,531	10,579,590
Total	\$ 16,993,522	\$ 17,214,336	\$ 24,685,635	\$ 25,398,459	\$ 41,679,157	\$ 42,612,795

Additional information on the City's capital assets can be found in Note III.C (*Capital Assets*) on pages 43-44.

Long-term debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$3,260,000. Of this amount, \$1,920,000 is comprised of debt backed by the full faith and credit of the government. The remainder of the City's debt represents bonds secured solely by specified revenue sources (i.e., special assessment and revenue bonds).

City of Howell's Outstanding Debt
General Obligation and Revenue Bonds

	Governmental activities		Business-type activities		Total	
	2008	2007	2008	2007	2008	2007
General obligation bonds	\$ 1,920,000	\$ 2,225,000	\$ -	\$ -	\$ 1,920,000	\$ 2,225,000
Special assessment bonds	530,000	710,000			530,000	710,000
Revenue bonds	-	-	810,000	1,060,000	810,000	1,060,000
Total	\$ 2,450,000	\$ 2,935,000	\$ 810,000	\$ 1,060,000	\$ 3,260,000	\$ 3,995,000

The City's total bonded debt decreased by \$735,000 (18.4 percent) during the current fiscal year; no new debt was issued during the current year.

The City has an "A" rating from Standard & Poor's.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total assessed valuation. The current debt limitation for the City is \$45.9 million, which is significantly in excess of the City's outstanding general obligation debt.

Additional information on the City's long-term debt can be found in Note III.F (*Long-term Debt*) on pages 46-49.

Economic Factors and Next Year's Budgets and Rates

The following factors were considered in preparing the City's budget for the 2008-09 fiscal year:

- The overall plan for the budget is to maintain services in the community by providing a well staffed, equipped and trained work force.
- To be sensitive to factors that may influence revenue projections, such as cuts to state shared revenue and the cumulative effects of the Headlee Amendment and Proposal A.
- The City also wants to ensure that it has funding for streets, roads and other capital improvement projects by earmarking funds for future use.

During the current fiscal year, unreserved fund balance in the general fund decreased by \$1,511,142 to \$1,699,156. The City has budgeted an increase in the general fund unreserved fund balance in the amount of \$419,060 for the 2008-09 fiscal year.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Department, City of Howell, 611 East Grand River Avenue, Howell, Michigan, 48843.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF HOWELL, MICHIGAN
Statement of Net Assets
June 30, 2008

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents	\$ 4,824,581	\$ 4,264,278	\$ 9,088,859	\$ 990,595
Receivables	654,238	428,647	1,082,885	-
Internal balances	59,060	(59,060)	-	-
Due from component units	420,276	-	420,276	-
Inventories, prepaid items and other assets	137,760	164,329	302,089	1,750
Land held for sale	456,497	-	456,497	-
Investment in joint venture	485,528	-	485,528	-
Restricted cash and cash equivalents	-	389,345	389,345	-
Capital assets not being depreciated	3,627,781	538,797	4,166,578	152,884
Capital assets being depreciated, net	13,365,741	24,146,838	37,512,579	105,722
Total assets	24,031,462	29,873,174	53,904,636	1,250,951
Liabilities				
Accounts payable and accrued expenses	517,041	127,583	644,624	8,463
Accrued liabilities	195,182	28,655	223,837	25,487
Due to primary government	-	-	-	420,276
Unearned revenue	25,568	-	25,568	-
Long-term liabilities:				
Due within one year	751,643	344,707	1,096,350	124,033
Due in more than one year	2,010,275	520,665	2,530,940	284,184
Total liabilities	3,499,709	1,021,610	4,521,319	862,443
Net assets (deficit)				
Invested in capital assets, net of related debt	14,543,522	23,913,728	38,457,250	(71,394)
Restricted for:				
Replacement and improvement	-	2,299,830	2,299,830	-
Debt service	300,986	382,306	683,292	-
Capital projects	1,051,834	-	1,051,834	-
Endowment - expendable	504,927	-	504,927	-
Restricted other	183,325	-	183,325	-
Unrestricted	3,947,159	2,255,700	6,202,859	459,902
Total net assets	\$ 20,531,753	\$ 28,851,564	\$ 49,383,317	\$ 388,508

The accompanying notes are an integral part of these financial statements.

CITY OF HOWELL, MICHIGAN
Statement of Activities
For the Year Ended June 30, 2008

<u>Functions / Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Primary government					
Governmental activities:					
General government	\$ 2,243,338	\$ 613,674	\$ -	\$ -	\$ (1,629,664)
Public safety	2,353,856	15,579	46,858	78,410	(2,213,009)
Public works	3,077,158	239,836	741,762	-	(2,095,560)
Community / economic development	445,503	-	64,200	-	(381,303)
Parks and recreation	1,226,387	356,085	251,890	-	(618,412)
Interest on long-term debt	101,267	-	-	-	(101,267)
Total governmental activities	9,447,509	1,225,174	1,104,710	78,410	(7,039,215)
Business-type activities:					
Water supply	1,582,252	1,852,469	19,777	24,016	314,010
Sewage disposal	2,164,104	1,483,471	8,958	23,991	(647,684)
Total business-type activities	3,746,356	3,335,940	28,735	48,007	(333,674)
Total primary government	<u>\$13,193,865</u>	<u>\$ 4,561,114</u>	<u>\$ 1,133,445</u>	<u>\$ 126,417</u>	<u>\$ (7,372,889)</u>
Component units					
Downtown development authority	\$ 327,250	\$ -	\$ 14,099	\$ -	\$ (313,151)
Tax increment financing authority	97,737	-	-	-	(97,737)
Brownfield redevelopment authority	-	-	-	-	-
Total component units	<u>\$ 424,987</u>	<u>\$ -</u>	<u>\$ 14,099</u>	<u>\$ -</u>	<u>\$ (410,888)</u>

Continued...

CITY OF HOWELL, MICHIGAN
Statement of Activities (Concluded)
For the Year Ended June 30, 2008

	Primary Government			Component
	Governmental	Business-type	Total	Units
	Activities	Activities		
Changes in net assets				
Net (expense) revenue	\$ (7,039,215)	\$ (333,674)	\$ (7,372,889)	\$ (410,888)
General revenues:				
Property taxes	5,664,783	-	5,664,783	678,098
Grants and contributions not restricted to specific programs	840,367	-	840,367	-
Unrestricted investment earnings	230,228	148,706	378,934	9,062
Gain on sale of capital assets	35,997	-	35,997	-
Transfers - internal activities	63,474	(63,474)	-	-
Total general revenues and transfers	6,834,849	85,232	6,920,081	687,160
Change in net assets	(204,366)	(248,442)	(452,808)	276,272
Net assets, beginning of year	20,736,119	29,100,006	49,836,125	112,236
Net assets, end of year	\$ 20,531,753	\$ 28,851,564	\$ 49,383,317	\$ 388,508

The accompanying notes are an integral part of these financial statements.

FUND FINANCIAL STATEMENTS

CITY OF HOWELL, MICHIGAN

Balance Sheet Governmental Funds June 30, 2008

	General	Parks and Recreation	Other Governmental Funds	Total Governmental Funds
ASSETS				
Assets				
Cash and cash equivalents	\$ 2,235,291	\$ 16,000	\$ 1,606,817	\$ 3,858,108
Accounts receivable	57,033	1,030	34,629	92,692
Taxes and special assessments	15,458	-	231,048	246,506
Due from other funds	43,299	63,353	981,562	1,088,214
Due from component units	419,887	-	-	419,887
Due from other governments	221,045	-	89,902	310,947
Prepaid items	124,367	13,393	-	137,760
Land held for sale	-	-	456,497	456,497
	<u>-</u>	<u>-</u>	<u>456,497</u>	<u>456,497</u>
TOTAL ASSETS	<u>\$ 3,116,380</u>	<u>\$ 93,776</u>	<u>\$ 3,400,455</u>	<u>\$ 6,610,611</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 106,386	\$ 49,773	\$ 308,305	\$ 464,464
Accrued liabilities	108,645	14,469	4,953	128,067
Due to other funds	1,037,113	20,243	160,876	1,218,232
Deferred revenue	40,713	1,930	231,048	273,691
Total liabilities	<u>1,292,857</u>	<u>86,415</u>	<u>705,182</u>	<u>2,084,454</u>
Fund balances				
Reserved:				
Prepaid items	124,367	7,361	-	131,728
Land held for sale	-	-	456,497	456,497
Unreserved:				
Designated for subsequent year expenditures	-	-	73,014	73,014
Undesignated	1,699,156	-	-	1,699,156
Undesignated, reported in nonmajor:				
Special revenue funds	-	-	308,015	308,015
Debt service funds	-	-	300,986	300,986
Capital projects funds	-	-	1,051,834	1,051,834
Permanent fund - expendable	-	-	504,927	504,927
Total fund balances	<u>1,823,523</u>	<u>7,361</u>	<u>2,695,273</u>	<u>4,526,157</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 3,116,380</u>	<u>\$ 93,776</u>	<u>\$ 3,400,455</u>	<u>\$ 6,610,611</u>

The accompanying notes are an integral part of these financial statements.

CITY OF HOWELL, MICHIGAN
Reconciliation of Fund Balances on the Balance Sheet
for Governmental Funds to Net Assets of
Governmental Activities on the Statement of Net Assets
June 30, 2008

Fund balances - total governmental funds	\$ 4,526,157
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Amounts reported for *governmental activities* in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Add - capital assets	30,368,340
Deduct - accumulated depreciation	(14,274,337)

Equity interest in joint ventures are not financial resources and therefore are not reported in the funds.

Add - equity in joint venture	485,528
-------------------------------	---------

Internal service funds are used by management to charge the costs of certain equipment usage to individual governmental funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.

Add - net assets of governmental internal service funds	1,906,512
Add - portion of internal service funds net operating loss attributed to business-type funds	23,294

Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current expenditures. Those assets (such as certain receivables) are offset by deferred revenues in the governmental funds, and thus are not included in fund balance.

Add - deferred long-term receivables	248,123
--------------------------------------	---------

Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Deduct - bonds and notes payable net of related costs	(2,450,000)
Deduct - accrued interest on bonds and installment contracts payable	(29,873)
Deduct - compensated absences	(271,991)

Net assets of governmental activities	<u><u>\$ 20,531,753</u></u>
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The accompanying notes are an integral part of these financial statements.

CITY OF HOWELL, MICHIGAN
Statement of Revenues, Expenditures
and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2008

	<u>General</u>	<u>Parks and Recreation</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenue				
Property taxes	\$ 5,664,783	\$ -	\$ -	\$ 5,664,783
Special assessments	-	-	91,080	91,080
Licenses and permits	191,641	-	-	191,641
Intergovernmental	876,002	215,480	774,179	1,865,661
Charges for services	155,279	356,085	165,606	676,970
Fines and forfeitures	77,790	-	12,618	90,408
Investment earnings	138,819	-	54,195	193,014
Other	250,638	36,209	36,193	323,040
Total revenue	<u>7,354,952</u>	<u>607,774</u>	<u>1,133,871</u>	<u>9,096,597</u>
Expenditures				
Current expenditures:				
General government	1,993,404	-	103,188	2,096,592
Public safety	2,230,139	-	-	2,230,139
Public works	532,599	-	759,722	1,292,321
Highways and streets	-	-	902,227	902,227
Community development	353,576	-	64,200	417,776
Culture and recreation	33,054	1,137,590	-	1,170,644
Debt service:				
Principal	-	-	485,000	485,000
Interest and fiscal charges	-	-	123,625	123,625
Capital outlay	-	-	798,510	798,510
Total expenditures	<u>5,142,772</u>	<u>1,137,590</u>	<u>3,236,472</u>	<u>9,516,834</u>
Revenue over (under) expenditures	<u>2,212,180</u>	<u>(529,816)</u>	<u>(2,102,601)</u>	<u>(420,237)</u>
Other financing sources (uses)				
Transfers in	117,732	556,062	3,307,970	3,981,764
Transfers out	(3,821,614)	(34,216)	(36,139)	(3,891,969)
Total other financing sources (uses)	<u>(3,703,882)</u>	<u>521,846</u>	<u>3,271,831</u>	<u>89,795</u>
Net change in fund balances	(1,491,702)	(7,970)	1,169,230	(330,442)
Fund balances, beginning of year	<u>3,315,225</u>	<u>15,331</u>	<u>1,526,043</u>	<u>4,856,599</u>
Fund balances, end of year	<u>\$ 1,823,523</u>	<u>\$ 7,361</u>	<u>\$ 2,695,273</u>	<u>\$ 4,526,157</u>

The accompanying notes are an integral part of these financial statements.

CITY OF HOWELL, MICHIGAN
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2008

Net change in fund balances - total governmental funds **\$ (330,442)**

Amounts reported for *governmental activities* in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Add - capital outlay	928,841
Deduct - depreciation expense	(1,245,254)
Deduct - loss on disposal of capital assets	(9,658)
Add - change in equity interest of joint venture	78,410

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, but rather are deferred to subsequent fiscal years.

Deduct - collections on long-term receivables	(68,551)
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Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Add - principal payments on long-term liabilities	485,000
---	---------

Internal service funds are used by management to charge the costs of certain equipment usage to individual governmental funds. The net revenue (expense) attributable to those funds is reported with governmental activities.

Deduct - net operating loss from internal service funds	(105,324)
Add - net operating loss attributable to business-type activities	29,498
Add - interest revenue from governmental internal service funds	37,214
Add - gains from the sale of capital assets from governmental internal service funds	35,997
Deduct - transfers disbursed in governmental internal service funds	(26,321)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.

Add - decrease in accrued interest payable on bonds	2,358
Deduct - increase in the accrual for compensated absences	(16,134)

Change in net assets of governmental activities **\$ (204,366)**

The accompanying notes are an integral part of these financial statements.

CITY OF HOWELL, MICHIGAN
Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
General Fund
For the Year Ended June 30, 2008

	Budget			Actual
	Original	Final	Actual	Over (Under)
				Final Budget
Revenues				
Property taxes	\$ 5,652,134	\$ 5,665,134	\$ 5,664,783	\$ (351)
Licenses and permits	214,650	177,650	191,641	13,991
Intergovernmental	867,261	882,261	876,002	(6,259)
Charges for services	131,750	158,810	155,279	(3,531)
Fines and forfeitures	65,000	77,000	77,790	790
Investment earnings	110,000	147,000	138,819	(8,181)
Other	231,793	252,793	250,638	(2,155)
Total revenues	7,272,588	7,360,648	7,354,952	(5,696)
Expenditures				
General government				
Council	50,516	50,516	45,367	(5,149)
Manager	193,349	180,349	177,991	(2,358)
Attorney	87,150	115,150	112,134	(3,016)
Finance	439,558	440,258	440,062	(196)
City hall	296,042	280,042	279,176	(866)
Clerk	98,707	98,707	98,137	(570)
Information technology	136,936	190,436	186,353	(4,083)
Cemetery - Lakeview	286,669	280,185	278,414	(1,771)
Howell memorial	12,500	8,500	7,830	(670)
Board of review	3,700	3,700	3,201	(499)
Cable commission	850	850	296	(554)
Elections	28,375	20,375	13,546	(6,829)
Personnel	155,773	160,773	160,098	(675)
Forestry	86,095	114,215	112,296	(1,919)
Parking lot maintenance	28,367	32,367	28,069	(4,298)
Contingencies	10,000	1,000	549	(451)
Tax tribunal refunds	52,500	53,500	49,885	(3,615)
Other	6,809	6,809	-	(6,809)
Total general government	1,973,896	2,037,732	1,993,404	(44,328)
Public safety				
Police	2,271,698	2,133,198	2,104,289	(28,909)
Fire	13,218	22,218	21,427	(791)
Building	104,880	104,880	104,423	(457)
Total public safety	2,389,796	2,260,296	2,230,139	(30,157)

Continued...

CITY OF HOWELL, MICHIGAN
Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual (Concluded)
General Fund
For the Year Ended June 30, 2008

	Budget			Actual
	Original	Final	Actual	Over (Under)
				Final Budget
Expenditures (concluded)				
Public works				
Street lighting	\$ 275,920	\$ 264,920	\$ 250,241	\$ (14,679)
Sidewalk maintenance	238,220	246,220	212,238	(33,982)
Drain assessment	36,000	36,400	36,397	(3)
Engineering	50,973	37,973	33,723	(4,250)
Total public works	601,113	585,513	532,599	(52,914)
Community development				
Community development	252,979	254,979	250,743	(4,236)
Community action	123,759	117,259	102,833	(14,426)
Total community development	376,738	372,238	353,576	(18,662)
Culture and recreation - Parks	36,267	36,267	33,054	(3,213)
Total expenditures	5,377,810	5,292,046	5,142,772	(149,274)
Revenue over expenditures	1,894,778	2,068,602	2,212,180	143,578
Other financing sources (uses)				
Transfers in	142,592	146,108	117,732	(28,376)
Transfers out	(2,469,064)	(3,883,964)	(3,821,614)	62,350
Total other financing (uses)	(2,326,472)	(3,737,856)	(3,703,882)	33,974
Net change in fund balances	(431,694)	(1,669,254)	(1,491,702)	177,552
Fund balance, beginning of year	3,315,225	3,315,225	3,315,225	-
Fund balance, end of year	\$ 2,883,531	\$ 1,645,971	\$ 1,823,523	\$ 177,552

The accompanying notes are an integral part of these financial statements.

CITY OF HOWELL, MICHIGAN
Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
Parks and Recreation Special Revenue Fund
For the Year Ended June 30, 2008

	Budget			Actual Over (Under) Final Budget
	Original	Final	Actual	
Revenues				
Intergovernmental revenue	\$ 215,960	\$ 215,960	\$ 215,480	\$ (480)
Charges for service	346,965	346,965	356,085	9,120
Investment earnings	100	100	-	(100)
Other	26,200	26,200	36,209	10,009
Total revenues	589,225	589,225	607,774	18,549
Expenditures				
Culture and recreation	1,002,177	1,114,177	1,137,590	23,413
Revenues under expenditures	(412,952)	(524,952)	(529,816)	(4,864)
Other financing sources (uses)				
Transfers in	559,168	559,168	556,062	(3,106)
Transfers out	(34,216)	(34,216)	(34,216)	-
Total other financing sources (uses)	524,952	524,952	521,846	(3,106)
Net change in fund balances	112,000	-	(7,970)	(7,970)
Fund balances, beginning of year	15,331	15,331	15,331	-
Fund balances, end of year	\$ 127,331	\$ 15,331	\$ 7,361	\$ (7,970)

The accompanying notes are an integral part of these financial statements.

CITY OF HOWELL, MICHIGAN
Statement of Net Assets
Proprietary Funds
June 30, 2008

	Enterprise Funds			Governmental Activities - Internal Service Funds
	Water Supply System	Sewage Disposal System	Total	
Assets				
Current assets:				
Cash and cash equivalents	\$ 1,325,295	\$ 2,938,983	\$ 4,264,278	\$ 818,035
Cash on deposit with agent	-	-	-	148,438
Accounts receivable	240,709	175,183	415,892	-
Due from other funds	132	-	132	204,669
Due from component units	-	-	-	389
Due from other governments	-	12,755	12,755	4,093
Inventory	164,329	-	164,329	-
Total current assets	1,730,465	3,126,921	4,857,386	1,175,624
Noncurrent assets:				
Restricted assets:				
Customer deposits	7,039	-	7,039	-
Bond reserves	382,306	-	382,306	-
Capital assets, net	9,217,955	15,467,680	24,685,635	899,519
Total noncurrent assets	9,607,300	15,467,680	25,074,980	899,519
Total assets	11,337,765	18,594,601	29,932,366	2,075,143
Liabilities				
Current liabilities:				
Accounts payable and accrued liabilities	31,626	95,957	127,583	84,697
Accrued payroll	11,737	10,568	22,305	5,122
Due to other funds	18,417	17,481	35,898	38,885
Customer deposits	6,350	-	6,350	-
Compensated absences, current portion	44,010	40,697	84,707	37,687
Bonds payable, current portion	260,000	-	260,000	-
Total current liabilities	372,140	164,703	536,843	166,391
Noncurrent liabilities:				
Compensated absences	4,550	4,208	8,758	2,240
Bonds payable	511,907	-	511,907	-
Total noncurrent liabilities	516,457	4,208	520,665	2,240
Total liabilities	888,597	168,911	1,057,508	168,631
Net assets				
Invested in capital assets, net of related debt	8,446,048	15,467,680	23,913,728	899,519
Restricted for replacement and improvement	-	2,299,830	2,299,830	-
Restricted for debt service	382,306	-	382,306	-
Unrestricted	1,620,814	658,180	2,278,994	1,006,993
Total net assets	\$ 10,449,168	\$ 18,425,690	28,874,858	\$ 1,906,512
Deduct - cumulative portion of internal service funds net operating loss attributed to business-type funds			(23,294)	
Net assets reported in business-type activities			<u>\$ 28,851,564</u>	

The accompanying notes are an integral part of these financial statements.

CITY OF HOWELL, MICHIGAN
Statement of Revenues, Expenses
and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2008

	Enterprise Funds			Governmental Activities - Internal Service Funds
	Water Supply System	Sewage Disposal System	Total	
Operating revenues				
Charges for services	\$ 1,852,469	\$ 1,483,471	\$ 3,335,940	\$ 766,398
Other	19,777	8,958	28,735	19,264
Total operating revenues	1,872,246	1,492,429	3,364,675	785,662
Operating expenses				
Personal services	685,039	635,943	1,320,982	316,206
Materials and supplies	160,118	130,518	290,636	143,354
Contractual	62,116	529,369	591,485	28,224
Insurance	17,248	22,996	40,244	57,578
Maintenance	68,025	89,148	157,173	44,944
Other expense	244,169	216,666	460,835	54,771
Depreciation	276,316	524,039	800,355	245,909
Total operating expenses	1,513,031	2,148,679	3,661,710	890,986
Operating income (loss)	359,215	(656,250)	(297,035)	(105,324)
Nonoperating revenues (expenses)				
Investment earnings	43,614	105,092	148,706	37,214
Interest expense	(55,148)	-	(55,148)	-
Gain on sale of capital assets	-	-	-	35,997
Total nonoperating revenues (expenses)	(11,534)	105,092	93,558	73,211
Income (loss) before contributions and transfers	347,681	(551,158)	(203,477)	(32,113)
Capital contributions - tap fees and other	24,016	23,991	48,007	-
Transfers in	21,500	-	21,500	-
Transfers out	(64,081)	(20,893)	(84,974)	(26,321)
Change in net assets	329,116	(548,060)	(218,944)	(58,434)
Net assets, beginning of year	10,120,052	18,973,750		1,964,946
Net assets, end of year	<u>\$ 10,449,168</u>	<u>\$ 18,425,690</u>		<u>\$ 1,906,512</u>
Add - net operating income from internal service funds attributed to business-type activities			(29,498)	
Change in net assets of business-type activities			<u>\$ (248,442)</u>	

The accompanying notes are an integral part of these financial statements.

CITY OF HOWELL, MICHIGAN
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2008

	Enterprise Funds			Governmental
	Water Supply System	Sewage Disposal System	Total	Activities - Internal Service Funds
Cash flows from operating activities				
Receipts from customers and users	\$ 1,894,832	\$ 1,491,237	\$ 3,386,069	\$ -
Receipts from interfund services	-	-	-	619,437
Payments to suppliers/claimants	(543,664)	(865,496)	(1,409,160)	(239,938)
Payments to employees	(619,035)	(620,073)	(1,239,108)	(313,920)
Payments for interfund services	(89,772)	(98,607)	(188,379)	-
Net cash provided (used) by operating activities	642,361	(92,939)	549,422	65,579
Cash flows from non-capital financing activities				
Transfers in	21,500	-	21,500	-
Transfers out	(64,081)	(20,893)	(84,974)	(26,321)
Net cash used by non-capital financing activities	(42,581)	(20,893)	(63,474)	(26,321)
Cash flows from capital and related financing activities				
Cash received on sale of capital assets	-	-	-	35,997
Principal and interest paid on debt	(292,450)	-	(292,450)	-
Purchase of capital assets	(20,461)	(67,070)	(87,531)	(351,166)
Cash contributions for tap fees and other	24,016	23,991	48,007	-
Net cash used by capital and related financing activities	(288,895)	(43,079)	(331,974)	(315,169)
Cash flows from investing activities				
Interest received on investments	43,614	105,092	148,706	37,214
Net increase (decrease) in cash and cash equivalents	354,499	(51,819)	302,680	(238,697)
Cash and cash equivalents, beginning of year	1,360,141	2,990,802	4,350,943	1,205,170
Cash and cash equivalents, end of year	<u>\$ 1,714,640</u>	<u>\$ 2,938,983</u>	<u>\$ 4,653,623</u>	<u>\$ 966,473</u>
Reconciliation to statement of net assets				
Cash and cash equivalents	\$ 1,325,295	\$ 2,938,983	\$ 4,264,278	\$ 818,035
Cash on deposit with agent	-	-	-	148,438
Restricted cash and cash equivalents	389,345	-	389,345	-
	<u>\$ 1,714,640</u>	<u>\$ 2,938,983</u>	<u>\$ 4,653,623</u>	<u>\$ 966,473</u>

Continued...

CITY OF HOWELL, MICHIGAN
Statement of Cash Flows (Concluded)
Proprietary Funds
For the Year Ended June 30, 2008

	Enterprise Funds			Governmental
		Sewage		Activities -
	Water	Disposal	Total	Internal
		System		Service Funds
Reconciliation of operating income (loss) to net cash provided (used) by operating activities				
Operating income (loss)	\$ 359,215	\$ (656,250)	\$ (297,035)	\$ (105,324)
Adjustments to reconcile operating income (loss) to net cash from operating activities:				
Depreciation	276,316	524,039	800,355	245,909
Changes in assets and liabilities:				
Accounts receivable	23,122	(253)	22,869	-
Due from other funds	87	30	117	(166,225)
Due from other governments	-	(969)	(969)	(774)
Inventories	(43,845)	-	(43,845)	-
Prepaid items	10,816	8,400	19,216	6,418
Accounts payable	(68)	13,745	13,677	6,025
Accrued payroll and compensated absences	16,908	15,870	32,778	2,286
Due to other funds	433	2,449	2,882	37,458
Customer deposits	(623)	-	(623)	-
Claims payable	-	-	-	39,806
Net cash provided (used) by operating activities	\$ 642,361	\$ (92,939)	\$ 549,422	\$ 65,579

The accompanying notes are an integral part of these financial statements.

CITY OF HOWELL, MICHIGAN
Statement of Net Assets
Fiduciary Funds
June 30, 2008

	Retiree Health Care Trust Fund	Tax Revolving Agency Fund
Assets		
Cash and cash equivalents	\$ 174,302	\$ 59,959
Liabilities		
Undistributed receipts	-	\$ 59,959
Net assets held in trust for postemployment healthcare benefits	<u>\$ 174,302</u>	

The accompanying notes are an integral part of these financial statements.

CITY OF HOWELL, MICHIGAN
Statement of Changes in Net Assets
Retiree Health Care Trust Fund
For the Year Ended June 30, 2008

Additions

Investment income - interest earnings	\$ 7,118
Net assets held in trust, beginning of year	<u>167,184</u>
Net assets held in trust, end of year	<u><u>\$ 174,302</u></u>

The accompanying notes are an integral part of these financial statements.

CITY OF HOWELL, MICHIGAN
Combining Statement of Net Assets
Component Units
June 30, 2008

	Downtown Development Authority	Tax Increment Finance Authority	Brownfield Redevelopment Authority	Total
Assets				
Cash and cash equivalents	\$ 672,845	\$ 317,750	\$ -	\$ 990,595
Prepaid items	1,750	-	-	1,750
Capital assets not being depreciated	152,884	-	-	152,884
Capital assets being depreciated, net	<u>105,722</u>	<u>-</u>	<u>-</u>	<u>105,722</u>
Total assets	<u>933,201</u>	<u>317,750</u>	<u>-</u>	<u>1,250,951</u>
Liabilities				
Accounts payable	1,882	6,581	-	8,463
Accrued liabilities	5,309	741	-	6,050
Due to primary government	389	213,000	206,887	420,276
Due to other government	-	19,437	-	19,437
Noncurrent liabilities:				
Due within one year	54,033	70,000	-	124,033
Due in more than one year	<u>284,184</u>	<u>-</u>	<u>-</u>	<u>284,184</u>
Total liabilities	<u>345,797</u>	<u>309,759</u>	<u>206,887</u>	<u>862,443</u>
Net assets (deficit)				
Invested in capital assets, net of related debt	(71,394)	-	-	(71,394)
Unrestricted	<u>658,798</u>	<u>7,991</u>	<u>(206,887)</u>	<u>459,902</u>
Total net assets (deficit)	<u>\$ 587,404</u>	<u>\$ 7,991</u>	<u>\$ (206,887)</u>	<u>\$ 388,508</u>

The accompanying notes are an integral part of these financial statements.

CITY OF HOWELL, MICHIGAN
Combining Statement of Activities
Component Units
For the Year Ended June 30, 2008

	Downtown Development Authority	Tax Increment Finance Authority	Brownfield Redevelopment Authority	Total
Expenses				
Community development	\$ 309,930	\$ 88,814	\$ -	\$ 398,744
Interest on long-term debt	17,320	8,923	-	26,243
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenses	327,250	97,737	-	424,987
Program revenues				
Operating grants and contributions	14,099	-	-	14,099
	<hr/>	<hr/>	<hr/>	<hr/>
Net program expense	313,151	97,737	-	410,888
	<hr/>	<hr/>	<hr/>	<hr/>
General revenues				
Property taxes	515,657	162,441	-	678,098
Unrestricted investment earnings	8,767	295	-	9,062
	<hr/>	<hr/>	<hr/>	<hr/>
Total general revenues	524,424	162,736	-	687,160
	<hr/>	<hr/>	<hr/>	<hr/>
Change in net assets	211,273	64,999	-	276,272
	<hr/>	<hr/>	<hr/>	<hr/>
Net assets (deficit), beginning of year	376,131	(57,008)	(206,887)	112,236
	<hr/>	<hr/>	<hr/>	<hr/>
Net assets (deficit), end of year	<u><u>\$ 587,404</u></u>	<u><u>\$ 7,991</u></u>	<u><u>\$ (206,887)</u></u>	<u><u>\$ 388,508</u></u>

The accompanying notes are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

CITY OF HOWELL, MICHIGAN

Notes to the Financial Statements

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting entity

The City of Howell, Michigan is a municipal corporation governed by a seven-member council and administered by an appointed City Manager. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations. The discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the government. The blended and discretely presented component units have June 30 year ends.

Blended component unit. The Building Authority is governed by a three member board appointed by the City Council. Its sole function is to oversee the financing and construction, if any, of the City's public buildings; therefore, it is reported as if it were part of the primary government.

Discretely presented component units. The following component units are reported within the component units column in the statement of net assets.

The Downtown Development Authority (DDA) was established for the purpose of revitalizing the downtown business district. The nine members of the DDA's governing board are appointed by the City's mayor with the approval of the City Council. The DDA is also fiscally dependent upon the government because the government's council approves the DDA's budget and any debt issuances. The DDA does not issue separate financial statements; accordingly, DDA fund financial statements are included herein as supplementary information.

The Tax Increment Financing Authority (TIFA) was established for the purpose of funding the infrastructure of the City's industrial park as an incentive to bring manufacturers into the City. The TIFA's governing body, which consists of nine individuals, is appointed by the City's mayor with the approval of the City Council. The TIFA does not issue separate financial statements; accordingly, TIFA fund financial statements are included herein as supplementary information.

The Economic Development Corporation (EDC) was created to provide means and methods for the encouragement and assistance of industrial and commercial enterprises in relocating, purchasing, constructing, improving, or expanding within the City. The EDC's governing body, which consists of nine individuals, is appointed by the City's mayor with the approval of the City Council. There has been no activity for the EDC.

CITY OF HOWELL, MICHIGAN

Notes to the Financial Statements

The Local Development Financing Authority (LDFA) was established pursuant to P.A. 281 of 1986 to prevent conditions of unemployment, promote economic growth, and authorize the acquisition and disposal of interests in real and personal property. The LDFA's governing body, which consists of 10 individuals, is appointed by the City Council. In addition, the LDFA's annual budget is subject to review and approval by the City Council. There has been no activity for the LDFA.

The Brownfield Redevelopment Authority (BRA) was created to facilitate the implementation of plans relating to the identification and treatment of environmentally distressed areas to promote revitalization within the brownfield redevelopment zone. The BRA governing body, which consists of seven members, is appointed by the City Council; its budgets are subject to approval by the City Council. The BRA does not issue separate financial statements; accordingly, BRA fund financial statements are included herein as supplementary information.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

CITY OF HOWELL, MICHIGAN

Notes to the Financial Statements

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements, except for agency funds, which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period or within one year for reimbursement-based grants. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, intergovernmental revenue, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *parks and recreation special revenue fund* accounts for monies related to the City's parks and recreation activities, which includes classes, youth and adult sports, special events, and elderly and preschool programs. Revenues consist of charges for classes and activities, space rental, contributions from participating townships, grants, and a substantial subsidy from the general fund.

CITY OF HOWELL, MICHIGAN

Notes to the Financial Statements

The government reports the following major proprietary funds:

The *water supply system enterprise fund* accounts for the activities of the water distribution and treatment system, which are financed primarily by user charges.

The *sewage disposal system enterprise fund* accounts for the activities of the sewage disposal and treatment system, which are also financed primarily by user charges.

Additionally, the government reports the following fund types:

The *special revenue funds* account for revenue sources that are legally restricted to expenditures for specific purposes not including major capital projects.

The *debt service funds* account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The *capital projects funds* account for the acquisition of capital assets or construction of major capital projects not being financed by proprietary funds.

The *permanent fund* accounts for resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the government's programs.

The *internal service funds* account for self-insurance and machinery and equipment management to other departments or agencies of the government on a cost reimbursement basis.

The *pension and other employee benefit trust fund* accounts for the activities of providing health care benefits to retirees.

The *agency fund* accounts for undistributed tax collections.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

CITY OF HOWELL, MICHIGAN

Notes to the Financial Statements

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments- in-lieu of taxes and other charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and sewer enterprise funds, and of the government's internal service funds, are charges to customers for sales and services. The enterprise funds also recognize as operating revenues the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, liabilities and net assets/equity

1. Deposits and investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. State statutes authorize the government to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers' acceptances, and mutual funds composed of otherwise legal investments.

CITY OF HOWELL, MICHIGAN

Notes to the Financial Statements

The Employee Healthcare Fund is authorized by the State to invest in common stocks, real estate, and various other investment instruments, subject to certain limitations.

Investments are reported at fair value.

2. *Receivables and payables*

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

3. *Prepaid items*

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements using the consumption method.

4. *Restricted assets*

The enterprise fund revenue bond covenants require amounts to be set aside for a bond reserve and system replacement and improvement. Accordingly, these amounts are classified as restricted assets on the statement of net assets.

5. *Capital assets*

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The government defines capital assets as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. In accordance with the provisions of GASB Statement No. 34, the government has only capitalized infrastructure assets acquired or constructed since 1980.

CITY OF HOWELL, MICHIGAN

Notes to the Financial Statements

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities, if any, is included as part of the capitalized value of the assets constructed. No such interest expense was incurred during the current fiscal year.

Capital assets of the primary government are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Roads and sidewalks	10-25
Land improvements	10-25
Water and sewer systems	40-50
Buildings and improvements	5-30
Vehicles	3-5
Office furnishings	5-7
Other equipment	3-7

6. *Compensated absences*

It is the government's policy to permit employees to accumulate earned but unused paid time off (PTO). A liability for PTO is accrued when incurred in the government-wide and proprietary fund financial statements, whereas it is reported in governmental funds only if it has matured, for example, as a result of employee resignations or retirements.

7. *Long-term obligations*

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

CITY OF HOWELL, MICHIGAN

Notes to the Financial Statements

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

8. *Fund equity*

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

9. *Use of estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general and special revenue funds. All annual appropriations lapse at fiscal year end.

Charter provisions require department head budget submissions to the City Manager by the second Monday in February, City Manager submission of the budget to Council by the second Monday in April, and City Council adoption of the budget by the third Monday in May.

The budget document is prepared by fund, function and department. The government's department heads may make transfers of appropriations within a department; transfers of appropriations between departments require the approval of the governing council.

CITY OF HOWELL, MICHIGAN

Notes to the Financial Statements

The legal level of budgetary control is the department level for the general fund and fund level for the special revenue funds. Certain supplemental budgetary appropriations were made during the year, which were not considered material.

B. Excess of expenditures over appropriations

P.A. 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amounts appropriated. For the year ended June 30, 2008, the government incurred no expenditures in excess of the amounts appropriated at the legal level of budgetary control, except in the parks and recreation special revenue fund where actual expenditures (\$1,137,590) exceeded the final budget (\$1,114,177) by \$23,413.

C. Fund and net asset deficits

At June 30, 2008, an accumulated fund and net assets deficit of \$206,887 was reported in the Brownfield Redevelopment Authority. It is intended that this deficit will be eliminated through future property tax captures.

The Downtown Development Authority (DDA) has a deficit balance of \$71,394 in the net assets invested in capital assets, net of related debt (which means that the outstanding debt is greater than the net book value of the related capital assets). On the modified accrual basis of accounting, the fund balance of the DDA special revenue fund is \$669,052 – i.e., not in a deficit position and, accordingly, not a violation of state law.

CITY OF HOWELL, MICHIGAN

Notes to the Financial Statements

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

Following is a reconciliation of deposits and investments as of June 30, 2008:

	<u>Primary Government</u>	<u>Component Units</u>	<u>Total</u>
Statement of Net Assets:			
Cash and cash equivalents	\$ 9,088,859	\$ 990,595	\$ 10,079,454
Restricted cash and cash equivalents	389,345	-	389,345
Statement of Fiduciary Net Assets:			
Cash and cash equivalents	<u>234,261</u>	<u>-</u>	<u>234,261</u>
Total	<u>\$ 9,712,465</u>	<u>\$ 990,595</u>	<u>\$ 10,703,060</u>
Deposits and Investments:			
Bank deposits (checking, savings and certificates of deposit)			\$ 6,300,727
Investments			4,252,245
Cash on deposit with agent			148,438
Cash on hand			<u>1,650</u>
Total			<u>\$ 10,703,060</u>

Custodial Credit Risk - Deposits. Deposits are exposed to custodial credit risk if they are not covered by depository insurance. As of June 30, 2008, \$6,179,838 of the City's total bank balance of \$6,617,947 (total book balance was \$6,300,727) was exposed to custodial credit risk as it was uninsured and uncollateralized.

In accordance with the City's investment policy and State law, all deposits are uncollateralized and held in the City's name. Due to the dollar amounts of cash deposits and the limits of FDIC insurance, the City believes it is impractical to insure all bank deposits. As a result, the City evaluates each financial institution and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

CITY OF HOWELL, MICHIGAN

Notes to the Financial Statements

Custodial Credit Risk - Investments. Following is a summary of the City's investments as of June 30, 2008:

External investment pool	\$ 2,369,077
Money market accounts	<u>1,883,168</u>
Total	<u>\$ 4,252,245</u>

Investments are exposed to custodial credit risk if the securities are uninsured, unregistered or held by a counterparty or its agent but not in the government's name. In accordance with the City's investment policy, all investments are held in the name of the City and are evidenced by a safekeeping receipt confirmation, and thus not exposed to custodial credit risk.

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City has no policy regarding credit risk. As of June 30, 2008, the City's investment in the external investment pool was rated AAA/V1 by Fitch. Ratings are not required for money market accounts.

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City's investment policy requires diversification by security type and institution, but does not place a fixed percentage limit for any one issuer. At June 30, 2008, the City had no concentration of credit risk.

Interest Rate Risk. Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of investments. The City's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. As of June 30, 2008, the average maturity of the underlying investments in the external investment pool was less than 60 days.

B. Receivables

Receivables in the governmental activities are 47.8% due from other governments, 37.9% special assessments, and 14.3% other receivables. Business-type activities receivables are 97.0% due from customers and 3.0% due from other governments.

In the governmental funds, deferred revenues of \$273,691 are reported; this includes \$248,123 of items that are unavailable and \$25,568 that are unearned (and reported as such in the statement of net assets for the governmental activities).

CITY OF HOWELL, MICHIGAN

Notes to the Financial Statements

C. Capital Assets

Capital asset activity for the year ended June 30, 2008 was as follows:

Primary Government

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets, not being depreciated -				
Land	\$ 1,035,214	\$ -	\$ -	\$ 1,035,214
Construction in process	3,124,451	29,175	(561,059)	2,592,567
Total capital assets not being depreciated	<u>4,159,665</u>	<u>29,175</u>	<u>(561,059)</u>	<u>3,627,781</u>
Capital assets, being depreciated:				
Buildings and improvements	6,435,668	-	-	6,435,668
Land improvements	1,753,325	561,059	-	2,314,384
Machinery and equipment	4,256,908	458,712	(295,672)	4,419,948
Infrastructure	15,234,732	792,120	-	16,026,852
Total capital assets being depreciated	<u>27,680,633</u>	<u>1,811,891</u>	<u>(295,672)</u>	<u>29,196,852</u>
Less accumulated depreciation for:				
Buildings and improvements	(2,811,635)	(175,676)	-	(2,987,311)
Land improvements	(784,421)	(141,573)	-	(925,994)
Machinery and equipment	(3,336,189)	(349,036)	286,014	(3,399,211)
Infrastructure	(7,693,717)	(824,878)	-	(8,518,595)
Total accumulated depreciation	<u>(14,625,962)</u>	<u>(1,491,163)</u>	<u>286,014</u>	<u>(15,831,111)</u>
Total capital assets, being depreciated, net	<u>13,054,671</u>	<u>320,728</u>	<u>(9,658)</u>	<u>13,365,741</u>
Governmental activities capital assets, net	<u>\$ 17,214,336</u>	<u>\$ 349,903</u>	<u>\$ (570,717)</u>	<u>\$ 16,993,522</u>
Business-type activities				
Capital assets, not being depreciated -				
Land	\$ 430,064	\$ -	\$ -	\$ 430,064
Construction in process	274,617	50,852	(216,736)	108,733
Total capital assets not being depreciated	<u>704,681</u>	<u>50,852</u>	<u>(216,736)</u>	<u>538,797</u>
Capital assets, being depreciated:				
Buildings and improvements	23,955,933	36,679	-	23,992,612
Machinery and equipment	1,196,761	-	-	1,196,761
Infrastructure	10,864,522	216,736	-	11,081,258
Total capital assets being depreciated	<u>36,017,216</u>	<u>253,415</u>	<u>-</u>	<u>36,270,631</u>
Less accumulated depreciation for:				
Buildings and improvements	(2,329,552)	(387,719)	-	(2,717,271)
Machinery and equipment	(1,167,939)	(14,538)	-	(1,182,477)
Infrastructure	(7,825,947)	(398,098)	-	(8,224,045)
Total accumulated depreciation	<u>(11,323,438)</u>	<u>(800,355)</u>	<u>-</u>	<u>(12,123,793)</u>
Total capital assets, being depreciated, net	<u>24,693,778</u>	<u>(546,940)</u>	<u>-</u>	<u>24,146,838</u>
Business-type activities capital assets, net	<u>\$ 25,398,459</u>	<u>\$ (496,088)</u>	<u>\$ (216,736)</u>	<u>\$ 24,685,635</u>

CITY OF HOWELL, MICHIGAN

Notes to the Financial Statements

Component Unit – DDA

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated -				
Land	\$ 152,884	\$ -	\$ -	\$ 152,884
Capital assets, being depreciated -				
Land improvements	123,446	2,562	-	126,008
Less accumulated depreciation for -				
Buildings and improvements	(13,260)	(7,026)	-	(20,286)
Total capital assets, being depreciated, net	110,186	(4,464)	-	105,722
Business-type activities capital assets, net	\$ 263,070	\$ (4,464)	\$ -	\$ 258,606

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 244,996
Public safety	89,456
Public works, including depreciation of general infrastructure assets	824,878
Community and economic development	23,793
Parks and recreation	62,131
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	245,909
Total depreciation expense - governmental activities	\$ 1,491,163
Business-type activities:	
Water	\$ 276,316
Sewage disposal	524,039
Total depreciation expense - business-type activities	\$ 800,355

D. Payables

Payables in the governmental activities (including accounts payable and accrued expenses) are 78.6% vendors, 13.5% payroll-related, 4.2% accrued interest and 3.7% deposits. Business-type activities payables are 81.6% vendors, 14.3% payroll-related and 4.1% deposits.

CITY OF HOWELL, MICHIGAN

Notes to the Financial Statements

E. Interfund receivables, payables and transfers

The composition of interfund receivables and payables at year end was as follows:

	<u>Receivable</u>	<u>Payable</u>
General fund	\$ 43,299	\$ 1,037,113
Parks and recreation fund	63,353	20,243
Nonmajor governmental funds	981,562	160,876
Water enterprise fund	132	18,417
Sewage disposal enterprise fund	-	17,481
Internal service funds	204,669	38,885
	<u>\$ 1,293,015</u>	<u>\$ 1,293,015</u>

These balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur and (2) payments between funds are made.

For the year ended June 30, 2008, interfund transfers are summarized as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General fund	\$ 117,732	\$ 3,821,614
Parks and recreation fund	556,062	34,216
Nonmajor governmental funds	3,307,970	36,139
Water enterprise fund	21,500	64,081
Sewage disposal enterprise fund	-	20,893
Internal service funds	-	26,321
	<u>\$ 4,003,264</u>	<u>\$ 4,003,264</u>

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

CITY OF HOWELL, MICHIGAN

Notes to the Financial Statements

F. Long-term debt

General obligation bonds. The government issues general obligation bonds to provide general funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for governmental activities and component units. The original amount of general obligation bonds issued in prior years for the governmental activities items listed below was \$4,025,000. No new or refunding obligation bonds were issued during the current year.

General obligation bonds are direct obligations and pledge the full faith and credit of the government. These bonds are issued as 10 to 20-year serial bonds with varying amounts of principal maturing each year. General obligation bonds currently outstanding are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Governmental Activities:		
1994 building authority	5.7% - 5.8%	\$ 140,000
1995 general government	5.5%	335,000
2005 capital improvement	3.4% - 4.1%	<u>1,445,000</u>
		<u>\$ 1,920,000</u>
Component Units:		
Downtown Development Authority -		
2003 capital improvement	3.0% - 4.2%	<u>\$ 330,000</u>
Tax Increment Finance Authority -		
1999 development	6.35%	<u>\$ 70,000</u>

CITY OF HOWELL, MICHIGAN

Notes to the Financial Statements

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending June 30,	Governmental Activities		Component Units	
	Principal	Interest	Principal	Interest
2009	\$ 325,000	\$ 73,119	\$ 120,000	\$ 15,918
2010	345,000	56,675	50,000	9,897
2011	105,000	46,456	55,000	8,055
2012	110,000	42,912	55,000	5,979
2013	110,000	39,174	60,000	3,720
2014-2018	630,000	133,544	60,000	1,260
2019-2020	295,000	17,950	-	-
	<u>\$ 1,920,000</u>	<u>\$ 409,830</u>	<u>\$ 400,000</u>	<u>\$ 44,829</u>

Special assessment bonds. Special assessment bonds provide for capital improvements that benefit specific properties, and will be repaid from amounts levied against those properties benefited from the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the City is obligated to provide resources to cover the deficiency until other resources (such as tax sale proceeds or a re-assessment of the district) are received. The original amount of special assessment bonds issued in prior years was \$2,475,000; no new or refunding special assessment bonds were issued during the current year.

Special assessment bonds currently outstanding are as follows:

Purpose	Interest Rates	Amount
Governmental Activities:		
1995 special assessment	5.50%	\$ 285,000
2001 special assessment	5.25% - 5.3%	<u>245,000</u>
		<u>\$ 530,000</u>

CITY OF HOWELL, MICHIGAN

Notes to the Financial Statements

Annual debt service requirements to maturity for special assessment bonds are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 185,000	\$ 23,585
2010	190,000	13,385
2011	50,000	6,891
2012	50,000	4,241
2013	55,000	1,458
	<u>\$ 530,000</u>	<u>\$ 49,560</u>

Revenue bonds. The government also issues bonds where the government pledges income derived from the acquired or constructed assets to pay debt service. The original amount of revenue bonds issued in prior years for the item listed below was \$2,870,000. No revenue bonds were issued during the current year. Revenue bonds outstanding at year end are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Water supply system	4.0%	<u>\$ 810,000</u>

Revenue bond debt service requirements to maturity are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 260,000	\$ 32,400
2010	270,000	22,000
2011	280,000	11,200
	<u>\$ 810,000</u>	<u>\$ 65,600</u>

CITY OF HOWELL, MICHIGAN

Notes to the Financial Statements

Changes in long-term debt. Long-term liability activity for the year ended June 30, 2008, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Primary Government</u>					
Governmental activities					
General obligation bonds	\$ 2,225,000	\$ -	\$ (305,000)	\$ 1,920,000	\$ 325,000
Special assessment bonds	710,000	-	(180,000)	530,000	185,000
Compensated absences	294,644	245,542	(228,268)	311,918	241,643
	<u>\$ 3,229,644</u>	<u>\$ 245,542</u>	<u>\$ (713,268)</u>	<u>\$ 2,761,918</u>	<u>\$ 751,643</u>
Business-type activities					
Revenue bonds	\$ 1,060,000	\$ -	\$ (250,000)	\$ 810,000	\$ 260,000
Compensated absences	65,652	87,312	(59,499)	93,465	84,707
Deduct deferred amounts - For issuance discounts	(50,791)	-	12,698	(38,093)	-
	<u>\$ 1,074,861</u>	<u>\$ 87,312</u>	<u>\$ (296,801)</u>	<u>\$ 865,372</u>	<u>\$ 344,707</u>
<u>Component Units</u>					
Downtown Development Authority					
General obligation bond	\$ 375,000	\$ -	\$ (45,000)	\$ 330,000	\$ 50,000
Installment contract	35,000	-	(35,000)	-	-
Compensated absences	4,055	6,152	(1,990)	8,217	4,033
	414,055	6,152	(81,990)	338,217	54,033
Tax Increment Finance Authority					
General obligation bond	135,000	-	(65,000)	70,000	70,000
	<u>\$ 549,055</u>	<u>\$ 6,152</u>	<u>\$ (146,990)</u>	<u>\$ 408,217</u>	<u>\$ 124,033</u>

For the governmental activities, compensated absences are generally liquidated by the general fund.

G. Segment information - enterprise funds

The government issued revenue bonds to finance certain improvements to its water supply system. Because the water fund, an individual fund that accounts entirely for the government's water distribution and treatment activities, is a segment and is reported as a major fund in the fund financial statements, segment disclosures herein are not required.

H. Restricted assets

Restricted assets, \$382,306 of cash and cash equivalents for bond reserves and \$7,039 of customer deposits, are reported in the water supply enterprise fund.

CITY OF HOWELL, MICHIGAN

Notes to the Financial Statements

IV. OTHER INFORMATION

A. Risk management

The government is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City participates in the Michigan Municipal Risk Management Authority (MMRMA, a risk pool) for claims relating to general and auto liability, auto physical damage, and property loss claims and the Michigan Municipal League Workers' Compensation Fund for workers' compensation.

The Michigan Municipal League risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

The MMRMA risk pool program operates as a claims servicing entity for amounts up to member retention limits, and operates as a common risk-sharing management program for losses in excess of member retention amounts. Although premiums are paid annually to the Authority which the Authority uses to pay claims up to the retention limits, the ultimate liability for those claims remains with the City.

The City estimates the liability for claims relating to general and auto liability, auto physical damage, and property loss claims that have been incurred through the end of the fiscal year, including claims that have been reported as well as those that have not yet been reported. Changes in the estimated liability for the past two fiscal years were as follows:

	<u>2008</u>	<u>2007</u>
Estimated liability, beginning of year	\$ 22,187	\$ 11,549
Estimated claims incurred, including changes in estimates	56,759	22,350
Claim payments	<u>(16,953)</u>	<u>(11,712)</u>
Estimated liability, end of year	<u>\$ 61,993</u>	<u>\$ 22,187</u>

The full amount of the above estimated liability is expected to be paid within one year and, accordingly, classified as a current liability.

CITY OF HOWELL, MICHIGAN

Notes to the Financial Statements

B. Property taxes

The government's property taxes are levied each July 1 on the taxable valuation of property located in the City as of the preceding December 31, the lien date. Property taxes are payable without penalty and interest through July 31; as of March 1 of the succeeding year, unpaid real property taxes are sold to and collected by Livingston County.

Assessed values as established annually by the government, and subject to acceptance by the County, are equalized by the State at an estimated 50% of current market value. The taxable value of real and personal property in the City totaled \$393,506,013 (not including properties with a taxable value of \$14,361,550 subject to Industrial Facilities Tax exemption). The government's general operating tax rate for fiscal year 2007-08 was 14.9443 mills.

Property taxes for the DDA and TIFA are derived from a tax increment financing agreement between those entities and the other related taxing districts. Under this arrangement, the DDA and TIFA receive those property taxes levied on the increment of current taxable valuations (determined as of the preceding December 31, the lien date) over base year assessed valuations on properties located within the district boundaries. Property taxes are recognized in the fiscal year in which they are levied.

C. Postemployment health care benefits

The City provides postemployment health care benefits to all employees with a minimum of 15 years of service. For those employees with 20 or more years of service, the City will pay the full cost of the benefits; for those 15 to 19 years of service, the City pays at a level varying between 75% and 95%. Expenditures for postemployment health care benefits are recorded on a pay-as-you-go basis. During the year, 26 retirees were eligible, resulting in expenditures of \$136,749.

D. Defined benefit pension plan

The City participates in the Municipal Employees Retirement System of Michigan (MERS), an agent multiple-employer plan administered by the Retirement Board of MERS. The Plan provides retirement and disability benefits, annual cost of living adjustments, and death benefits to Plan members and beneficiaries. The MERS Retirement Board establishes and amends the benefit provisions of the participants in MERS. The Municipal Employees Retirement System of Michigan issues a publicly available financial report that includes financial statements and required supplementary information for MERS. That report may be obtained by writing to the Municipal Employees Retirement System of Michigan, 447 N. Canal Road, Lansing, Michigan 48917, or by calling (800) 767-6377.

CITY OF HOWELL, MICHIGAN

Notes to the Financial Statements

The City is required to contribute at an actuarially determined rate; the rates for the year ended June 30, 2008 were 11.13% to 23.26% of annual covered payroll. City employees are required to contribute 3.68% to 4.8% of covered wages, depending on the applicable bargaining unit. The contribution requirements of the City are established and may be amended by the Retirement Board of MERS. The contribution requirements of plan members are established and may be amended by the City Council, subject to collective bargaining agreements and depending on the MERS contribution program adopted by the City.

For the year ended June 30, 2008, the City's annual pension cost of \$526,521 was equal to the required and actual contribution. The required contribution was determined as part of the December 31, 2006 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included: (a) a rate of return on the investment of present and future assets of 8.0%; (b) projected salary increase of 4.5% per year compounded annually, attributable to inflation; and (c) additional projected salary increases of 0.0% to 3.9% per year, depending on age, attributable to seniority/merit.

The actuarial value of MERS assets was determined on the basis of a valuation method that assumes the fund earns the expected rate of return, and includes an adjustment to reflect fair value. The City's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2007, the date of the latest actuarial valuation, was 28 years.

Three-Year Trend Information

<u>Annual Years Ended June 30,</u>	<u>Pension Cost (APC)</u>	<u>Percentage Contributed</u>	<u>Net Pension Obligation</u>
2006	\$ 514,550	100%	\$ -
2007	537,488	100%	-
2008	526,521	100%	-

CITY OF HOWELL, MICHIGAN

Notes to the Financial Statements

Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>(a) Actuarial Value of Assets</u>	<u>(b) Actuarial Accrued Liability (AAL) Entry Age</u>	<u>(b-a) Unfunded AAL (UAAL)</u>	<u>Funded Ratio Total</u>	<u>(c) Covered Payroll</u>	<u>((b-a)/c) UAAL as a Percentage of Covered Payroll</u>
12/31/05	\$ 9,518,226	\$14,452,965	\$ 4,934,739	66%	\$3,604,461	137%
12/31/06	10,328,269	16,211,432	5,883,163	64%	3,333,824	176%
12/31/07	10,989,953	17,302,842	6,312,889	64%	3,563,061	177%

E. Defined contribution pension plan

The DDA provides pension benefits to its director and Main Street manager through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. As established by negotiation, the DDA contributes 10 percent of the employees' gross earnings. In accordance with these requirements, the DDA contributed \$6,700 during the current year, and no contributions were made by the employees. This plan is administered by the International City Manager's Association.

F. Contingencies

The City has been served in civil and administrative actions brought against it seeking damages from matters within the geographical limits of and/or activities of the City of Howell, Michigan. In the opinion of the administration and its legal counsel, any potential settlement of these actions should have no material effect upon the financial position of the City.

G. Environmental Remediation – Lucy Road Park

During the 1960s, the City operated a public landfill off Lucy Road. In the early 1970s, the site was converted to a recreation park. In 1987, the Michigan Department of Natural Resources (MDNR) determined through well data reports that an environmental problem exists at the site. In response, the City hired an environmental law firm to negotiate with the MDNR to resolve the problem.

CITY OF HOWELL, MICHIGAN

Notes to the Financial Statements

In 2002, the City reached a final agreement with the Michigan Department of Environmental Quality (MDEQ) to repay \$187,500 incurred by the MDEQ and the State of Michigan for replacing the water supply previously used by area businesses and residents. The costs incurred by the MDEQ were \$625,000. Other responsible parties were also held liable and reimbursed the City for their portion of the costs.

In addition, potential future remediation costs may be incurred. There is also a 60/40 percent agreement with another responsible party related to the remediation with the City. Total costs of future remediation cannot yet be estimated; therefore, no liability has been recorded.

H. Joint Venture

The City is a member of the Howell Area Fire Authority, which was jointly incorporated by the City of Howell, Cohoctah Township, Marion Township, Oceola Township, and Howell Township (the "Municipalities") for the purpose of providing fire protection and other emergency health and safety services to the Municipalities.

The City appoints a member to the joint venture's governing board which then approves the annual budget. The City's equity interest in the joint venture at June 30, 2008 is \$485,528, which is recorded within the governmental activities column in the statement of net assets (deficit). The City is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. Complete financial statements for the Authority can be obtained from the administrative offices at 1211 W. Grand River, Howell, Michigan.

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**COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS AND SCHEDULES**

CITY OF HOWELL, MICHIGAN
Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2008

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Permanent Cemetery</u>	<u>Totals</u>
ASSETS					
Assets					
Cash and cash equivalents	\$ 418,731	\$ 300,986	\$ 382,173	\$ 504,927	\$ 1,606,817
Accounts receivable	34,629	-	-	-	34,629
Special assessments	-	231,048	-	-	231,048
Due from other funds	82,604	-	898,958	-	981,562
Due from other governments	89,902	-	-	-	89,902
Land held for sale	456,497	-	-	-	456,497
TOTAL ASSETS	<u><u>\$ 1,082,363</u></u>	<u><u>\$ 532,034</u></u>	<u><u>\$ 1,281,131</u></u>	<u><u>\$ 504,927</u></u>	<u><u>\$ 3,400,455</u></u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 81,731	\$ -	\$ 226,574	\$ -	\$ 308,305
Accrued liabilities	4,809	-	144	-	4,953
Due to other funds	158,297	-	2,579	-	160,876
Deferred revenue	-	231,048	-	-	231,048
Total liabilities	<u>244,837</u>	<u>231,048</u>	<u>229,297</u>	<u>-</u>	<u>705,182</u>
Fund balances					
Reserved:					
Land held for sale	456,497	-	-	-	456,497
Unreserved:					
Designated for subsequent year expenditures	73,014	-	-	-	73,014
Undesignated	308,015	300,986	1,051,834	504,927	2,165,762
Total fund balances	<u>837,526</u>	<u>300,986</u>	<u>1,051,834</u>	<u>504,927</u>	<u>2,695,273</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 1,082,363</u></u>	<u><u>\$ 532,034</u></u>	<u><u>\$ 1,281,131</u></u>	<u><u>\$ 504,927</u></u>	<u><u>\$ 3,400,455</u></u>

CITY OF HOWELL, MICHIGAN
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances - Nonmajor Governmental Funds
For the Year Ended June 30, 2008

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Permanent Cemetery</u>	<u>Totals</u>
Revenues					
Special assessments	\$ -	\$ 91,080	\$ -	\$ -	\$ 91,080
Intergovernmental	774,179	-	-	-	774,179
Charges for services	148,756	-	-	16,850	165,606
Fines and forfeitures	12,618	-	-	-	12,618
Investment earnings	8,519	14,779	7,921	22,976	54,195
Other	35,992	-	201	-	36,193
	<u>980,064</u>	<u>105,859</u>	<u>8,122</u>	<u>39,826</u>	<u>1,133,871</u>
Total revenues					
Expenditures					
Current expenditures:					
General government	103,188	-	-	-	103,188
Public works	759,722	-	-	-	759,722
Highways and streets	902,227	-	-	-	902,227
Community development	64,200				64,200
Debt service:					
Principal	-	485,000	-	-	485,000
Interest and fiscal charges	-	123,625	-	-	123,625
Capital outlay	-	-	798,510	-	798,510
	<u>1,829,337</u>	<u>608,625</u>	<u>798,510</u>	<u>-</u>	<u>3,236,472</u>
Total expenditures					
Revenues over (under) expenditures	<u>(849,273)</u>	<u>(502,766)</u>	<u>(790,388)</u>	<u>39,826</u>	<u>(2,102,601)</u>
Other financing sources (uses)					
Transfers in	881,093	394,645	2,032,232	-	3,307,970
Transfers out	-	-	-	(36,139)	(36,139)
	<u>881,093</u>	<u>394,645</u>	<u>2,032,232</u>	<u>(36,139)</u>	<u>3,271,831</u>
Total other financing sources (uses)					
Net change in fund balances	31,820	(108,121)	1,241,844	3,687	1,169,230
Fund balances (deficit), beginning of year	805,706	409,107	(190,010)	501,240	1,526,043
Fund balances, end of year	<u>\$ 837,526</u>	<u>\$300,986</u>	<u>\$ 1,051,834</u>	<u>\$ 504,927</u>	<u>\$ 2,695,273</u>

CITY OF HOWELL, MICHIGAN
Combining Balance Sheet - Nonmajor Special Revenue Funds
June 30, 2008

	<u>Major Street</u>	<u>Local Street</u>	<u>Rubbish & Garbage</u>	<u>Lucy Road Park Recovery</u>	<u>Drug Law Enforcement</u>
ASSETS					
Assets					
Cash and cash equivalents	\$ 189,268	\$ 35,072	\$ 3,211	\$ -	\$ 18,269
Accounts receivable	-	-	19,629	-	-
Due from other funds	-	46,038	20,990	13,076	-
Due from other governments	66,407	23,495	-	-	-
Land held for sale	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u><u>\$ 255,675</u></u>	<u><u>\$ 104,605</u></u>	<u><u>\$ 43,830</u></u>	<u><u>\$ 13,076</u></u>	<u><u>\$ 18,269</u></u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 9,821	\$ 3,718	\$ 78	\$ 13,076	\$ 1
Accrued liabilities	1,876	2,115	818	-	-
Due to other funds	5,402	98,772	42,934	-	525
	<u>17,099</u>	<u>104,605</u>	<u>43,830</u>	<u>13,076</u>	<u>526</u>
Total liabilities	<u>17,099</u>	<u>104,605</u>	<u>43,830</u>	<u>13,076</u>	<u>526</u>
Fund balances					
Reserved:					
Land held for sale	-	-	-	-	-
Unreserved:					
Designated for subsequent year expenditures	73,014	-	-	-	-
Undesignated	165,562	-	-	-	17,743
	<u>238,576</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,743</u>
Total fund balances	<u>238,576</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,743</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 255,675</u></u>	<u><u>\$ 104,605</u></u>	<u><u>\$ 43,830</u></u>	<u><u>\$ 13,076</u></u>	<u><u>\$ 18,269</u></u>

<u>Police Training</u>	<u>Special Grants</u>	<u>Reserves</u>	<u>Property</u>	<u>WALLY</u>	<u>Total</u>
\$ 4,055	\$ -	\$ 116,661	\$ 1,019	\$ 51,176	\$ 418,731
-	-	-	-	15,000	34,629
-	-	-	2,500	-	82,604
-	-	-	-	-	89,902
-	-	-	456,497	-	456,497
<u>\$ 4,055</u>	<u>\$ -</u>	<u>\$ 116,661</u>	<u>\$ 460,016</u>	<u>\$ 66,176</u>	<u>\$1,082,363</u>
\$ -	\$ -	\$ -	\$ -	\$ 55,037	\$ 81,731
-	-	-	-	-	4,809
4,035	-	6,629	-	-	158,297
<u>4,035</u>	<u>-</u>	<u>6,629</u>	<u>-</u>	<u>55,037</u>	<u>244,837</u>
-	-	-	456,497	-	456,497
-	-	-	-	-	73,014
20	-	110,032	3,519	11,139	308,015
<u>20</u>	<u>-</u>	<u>110,032</u>	<u>460,016</u>	<u>11,139</u>	<u>837,526</u>
<u>\$ 4,055</u>	<u>\$ -</u>	<u>\$ 116,661</u>	<u>\$ 460,016</u>	<u>\$ 66,176</u>	<u>\$1,082,363</u>

CITY OF HOWELL, MICHIGAN
Combining Statement of Revenues, Expenditures and
Changes in Fund Balance - Nonmajor Special Revenue Funds
For the Year Ended June 30, 2008

	<u>Major Street</u>	<u>Local Street</u>	<u>Rubbish & Garbage</u>	<u>Lucy Road Park Recovery</u>	<u>Drug Law Enforcement</u>
Revenues					
Intergovernmental	\$ 412,387	\$ 143,383	\$ -	\$ -	\$ -
Charges for services	-	-	148,756	-	-
Fines and forfeitures	-	-	-	-	12,618
Investment earnings	2,481	139	6	994	-
Other	6,238	28,968	786	-	-
	<u>421,106</u>	<u>172,490</u>	<u>149,548</u>	<u>994</u>	<u>12,618</u>
Total revenues					
	<u>421,106</u>	<u>172,490</u>	<u>149,548</u>	<u>994</u>	<u>12,618</u>
Expenditures					
Current expenditures:					
General government	-	-	-	95,215	525
Public works	-	-	620,861	-	-
Highways and streets	384,502	517,725	-	-	-
Community development	-	-	-	-	-
	<u>384,502</u>	<u>517,725</u>	<u>620,861</u>	<u>95,215</u>	<u>525</u>
Total expenditures					
	<u>384,502</u>	<u>517,725</u>	<u>620,861</u>	<u>95,215</u>	<u>525</u>
Revenues over (under) expenditures	36,604	(345,235)	(471,313)	(94,221)	12,093
Other financing sources					
Transfers in	-	345,235	471,313	64,545	-
	<u>-</u>	<u>345,235</u>	<u>471,313</u>	<u>64,545</u>	<u>-</u>
Net change in fund balances	36,604	-	-	(29,676)	12,093
Fund balances, beginning of year	201,972	-	-	29,676	5,650
	<u>201,972</u>	<u>-</u>	<u>-</u>	<u>29,676</u>	<u>5,650</u>
Fund balances, end of year	<u>\$ 238,576</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,743</u>

<u>Police Training</u>	<u>Special Grants</u>	<u>Reserves</u>	<u>Property</u>	<u>WALLY</u>	<u>Total</u>
\$ 4,209	\$ 64,200	\$ -	\$ -	\$ 150,000	\$ 774,179
-	-	-	-	-	148,756
-	-	-	-	-	12,618
-	-	4,899	-	-	8,519
-	-	-	-	-	35,992
<u>4,209</u>	<u>64,200</u>	<u>4,899</u>	<u>-</u>	<u>150,000</u>	<u>980,064</u>
7,448	-	-	-	-	103,188
-	-	-	-	138,861	759,722
-	-	-	-	-	902,227
-	64,200	-	-	-	64,200
<u>7,448</u>	<u>64,200</u>	<u>-</u>	<u>-</u>	<u>138,861</u>	<u>1,829,337</u>
(3,239)	-	4,899	-	11,139	(849,273)
-	-	-	-	-	881,093
(3,239)	-	4,899	-	11,139	31,820
<u>3,259</u>	<u>-</u>	<u>105,133</u>	<u>460,016</u>	<u>-</u>	<u>805,706</u>
<u>\$ 20</u>	<u>\$ -</u>	<u>\$ 110,032</u>	<u>\$ 460,016</u>	<u>\$ 11,139</u>	<u>\$ 837,526</u>

CITY OF HOWELL, MICHIGAN
Schedule of Revenues, Expenditures and Changes in Fund Balance -
Final Budget and Actual - Nonmajor Special Revenue Funds
For the Year Ended June 30, 2008

	Major Street Fund		
	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues			
Intergovernmental	\$ 422,100	\$ 412,387	\$ (9,713)
Charges for services	-	-	-
Fines and forfeitures	-	-	-
Investment earnings	2,000	2,481	481
Other	6,200	6,238	38
	<u>430,300</u>	<u>421,106</u>	<u>(9,194)</u>
Expenditures			
Current expenditures:			
General government	-	-	-
Public works	-	-	-
Highways and streets	483,162	384,502	(98,660)
Community development	-	-	-
	<u>483,162</u>	<u>384,502</u>	<u>(98,660)</u>
Revenues over (under) expenditures	<u>(52,862)</u>	<u>36,604</u>	<u>89,466</u>
Other financing sources (uses)			
Transfers in	-	-	-
Transfers out	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(52,862)	36,604	89,466
Fund balances, beginning of year	<u>201,972</u>	<u>201,972</u>	<u>-</u>
Fund balances, end of year	<u>\$ 149,110</u>	<u>\$ 238,576</u>	<u>\$ 89,466</u>

Local Street Fund			Rubbish & Garbage		
Final Budget	Actual	Actual Over (Under) Final Budget	Final Budget	Actual	Actual Over (Under) Final Budget
\$ 146,569	\$ 143,383	\$ (3,186)	\$ -	\$ -	\$ -
-	-	-	149,100	148,756	(344)
-	-	-	-	-	-
100	139	39	-	6	6
23,000	28,968	5,968	-	786	786
<u>169,669</u>	<u>172,490</u>	<u>2,821</u>	<u>149,100</u>	<u>149,548</u>	<u>448</u>
-	-	-	-	-	-
-	-	-	635,095	620,861	(14,234)
550,626	517,725	(32,901)	-	-	-
-	-	-	-	-	-
<u>550,626</u>	<u>517,725</u>	<u>(32,901)</u>	<u>635,095</u>	<u>620,861</u>	<u>(14,234)</u>
<u>(380,957)</u>	<u>(345,235)</u>	<u>35,722</u>	<u>(485,995)</u>	<u>(471,313)</u>	<u>14,682</u>
380,957	345,235	(35,722)	485,995	471,313	(14,682)
-	-	-	-	-	-
<u>380,957</u>	<u>345,235</u>	<u>(35,722)</u>	<u>485,995</u>	<u>471,313</u>	<u>(14,682)</u>
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Continued...

CITY OF HOWELL, MICHIGAN
Schedule of Revenues, Expenditures and Changes in Fund Balance -
Final Budget and Actual - Nonmajor Special Revenue Funds (Continued)
For the Year Ended June 30, 2008

	Lucy Road Park Recovery		
	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues			
Intergovernmental	\$ -	\$ -	\$ -
Charges for services	-	-	-
Fines and forfeitures	-	-	-
Investment earnings	1,000	994	(6)
Other	-	-	-
	<u>1,000</u>	<u>994</u>	<u>(6)</u>
Total revenues	<u>1,000</u>	<u>994</u>	<u>(6)</u>
Expenditures			
Current expenditures:			
General government	130,200	95,215	(34,985)
Public works	-	-	-
Parks and recreation	-	-	-
Community development	-	-	-
	<u>130,200</u>	<u>95,215</u>	<u>(34,985)</u>
Total expenditures	<u>130,200</u>	<u>95,215</u>	<u>(34,985)</u>
Revenues over (under) expenditures	<u>(129,200)</u>	<u>(94,221)</u>	<u>34,979</u>
Other financing sources (uses)			
Transfers in	100,026	64,545	(35,481)
Transfers out	-	-	-
	<u>100,026</u>	<u>64,545</u>	<u>(35,481)</u>
Total other financing sources (uses)	<u>100,026</u>	<u>64,545</u>	<u>(35,481)</u>
Net change in fund balances	<u>(29,174)</u>	<u>(29,676)</u>	<u>(502)</u>
Fund balances, beginning of year	<u>29,676</u>	<u>29,676</u>	<u>-</u>
Fund balances, end of year	<u>\$ 502</u>	<u>\$ -</u>	<u>\$ (502)</u>

Drug Law Enforcement Fund			Police Training		
Final Budget	Actual	Actual Over (Under) Final Budget	Final Budget	Actual	Actual Over (Under) Final Budget
\$ -	\$ -	\$ -	\$ 4,600	\$ 4,209	\$ (391)
-	-	-	-	-	-
12,000	12,618	618	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
12,000	12,618	618	4,600	4,209	(391)
1,500	525	(975)	7,859	7,448	(411)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
1,500	525	(975)	7,859	7,448	(411)
10,500	12,093	1,593	(3,259)	(3,239)	20
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
10,500	12,093	1,593	(3,259)	(3,239)	20
5,650	5,650	-	3,259	3,259	-
\$ 16,150	\$ 17,743	\$ 1,593	\$ -	\$ 20	\$ 20

Continued...

CITY OF HOWELL, MICHIGAN
Schedule of Revenues, Expenditures and Changes in Fund Balance -
Final Budget and Actual - Nonmajor Special Revenue Funds (Continued)
For the Year Ended June 30, 2008

	Special Grants		
	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues			
Intergovernmental	\$ 64,200	\$ 64,200	\$ -
Charges for services	-	-	-
Fines and forfeitures	-	-	-
Investment earnings	-	-	-
Other	-	-	-
	<u>64,200</u>	<u>64,200</u>	<u>-</u>
Total revenues	<u>64,200</u>	<u>64,200</u>	<u>-</u>
Expenditures			
Current expenditures:			
General government	-	-	-
Public works	-	-	-
Parks and recreation	-	-	-
Community development	64,200	64,200	-
	<u>64,200</u>	<u>64,200</u>	<u>-</u>
Total expenditures	<u>64,200</u>	<u>64,200</u>	<u>-</u>
Revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Other financing sources (uses)			
Transfers in	-	-	-
Transfers out	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	-	-	-
Fund balances, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

Reserves			Property		
Final Budget	Actual	Actual Over (Under) Final Budget	Final Budget	Actual	Actual Over (Under) Final Budget
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
5,000	4,899	(101)	6,000	-	(6,000)
-	-	-	-	-	-
5,000	4,899	(101)	6,000	-	(6,000)
1,200	-	(1,200)	1,500	-	(1,500)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
1,200	-	(1,200)	1,500	-	(1,500)
3,800	4,899	1,099	4,500	-	(4,500)
4,650	-	(4,650)	-	-	-
(21,000)	-	21,000	-	-	-
(16,350)	-	16,350	-	-	-
(12,550)	4,899	17,449	4,500	-	(4,500)
105,133	105,133	-	460,016	460,016	-
\$ 92,583	\$ 110,032	\$ 17,449	\$ 464,516	\$ 460,016	\$ (4,500)

CITY OF HOWELL, MICHIGAN
Schedule of Revenues, Expenditures and Changes in Fund Balance -
Final Budget and Actual - Nonmajor Special Revenue Funds (Concluded)
For the Year Ended June 30, 2008

	WALLY (Washtenaw and Livingston Line)		
	Final		Actual
	Budget	Actual	Over (Under)
			Final Budget
Revenues			
Intergovernmental	\$ 150,000	\$ 150,000	\$ -
Charges for services	-	-	-
Fines and forfeitures	-	-	-
Investment earnings	-	-	-
Other	-	-	-
Total revenues	150,000	150,000	-
Expenditures			
Current expenditures:			
General government	-	-	-
Public works	150,000	138,861	(11,139)
Parks and recreation	-	-	-
Community development	-	-	-
Total expenditures	150,000	138,861	(11,139)
Revenues over (under) expenditures	-	11,139	11,139
Other financing sources (uses)			
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing sources (uses)	-	-	-
Net change in fund balances	-	11,139	11,139
Fund balances, beginning of year	-	-	-
Fund balances, end of year	\$ -	\$ 11,139	\$ 11,139

CITY OF HOWELL, MICHIGAN
Combining Balance Sheet - Nonmajor Debt Service Fund
June 30, 2008

	<u>Building Authority</u>	<u>City Hall</u>	<u>M-59 Utilities SAD Debt</u>	<u>1995 S/A Thompson Lake</u>	<u>1995 General Obligation</u>	<u>Total</u>
ASSETS						
Assets						
Cash and cash equivalents	\$ -	\$ -	\$ 98,710	\$ 202,276	\$ -	\$ 300,986
Special assessments receivable	-	-	132,768	98,280	-	231,048
Total assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 231,478</u>	<u>\$ 300,556</u>	<u>\$ -</u>	<u>\$ 532,034</u>
LIABILITIES AND FUND BALANCES						
Liabilities						
Deferred revenue	\$ -	\$ -	\$ 132,768	\$ 98,280	\$ -	\$ 231,048
Fund balances						
Unreserved, undesignated	<u>-</u>	<u>-</u>	<u>98,710</u>	<u>202,276</u>	<u>-</u>	<u>300,986</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 231,478</u>	<u>\$ 300,556</u>	<u>\$ -</u>	<u>\$ 532,034</u>

CITY OF HOWELL, MICHIGAN
Combining Statement of Revenues, Expenditures and
Changes in Fund Balance - Nonmajor Debt Service Fund
For the Year Ended June 30, 2008

	<u>Building Authority</u>	<u>City Hall</u>	<u>M-59 Utilities SAD Debt</u>	<u>1995 S/A Thompson Lake</u>	<u>1995 General Obligation</u>	<u>Total</u>
Revenues						
Special assessments	\$ -	\$ -	\$ 27,019	\$ 64,061	\$ -	\$ 91,080
Investment earnings	-	-	10,165	4,614	-	14,779
Total revenues	-	-	37,184	68,675	-	105,859
Expenditures						
Debt service:						
Principal retirement	65,000	90,000	40,000	140,000	150,000	485,000
Interest and fiscal charges	10,370	56,525	13,980	20,000	22,750	123,625
Total expenditures	75,370	146,525	53,980	160,000	172,750	608,625
Revenues (under) expenditures	(75,370)	(146,525)	(16,796)	(91,325)	(172,750)	(502,766)
Other financing sources						
Transfers in	75,370	146,525	-	-	172,750	394,645
Net change in fund balances	-	-	(16,796)	(91,325)	-	(108,121)
Fund balances, beginning of year	-	-	115,506	293,601	-	409,107
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 98,710</u>	<u>\$ 202,276</u>	<u>\$ -</u>	<u>\$ 300,986</u>

CITY OF HOWELL, MICHIGAN
Combining Balance Sheet - Nonmajor Capital Projects Funds
June 30, 2008

	<u>South Michigan Avenue</u>	<u>City Hall</u>	<u>M-59 Boardwalk</u>	<u>Clinton Street</u>	<u>M-59 Utilities</u>	<u>Skatepark</u>
ASSETS						
Assets						
Cash and cash equivalents	\$306,784	\$6,371	\$ -	\$ -	\$67,089	\$ 1,929
Due from other funds	-	-	323,888	-	-	75
TOTAL ASSETS	<u>\$306,784</u>	<u>\$6,371</u>	<u>\$ 323,888</u>	<u>\$ -</u>	<u>\$67,089</u>	<u>\$ 2,004</u>
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable	\$ -	\$ -	\$ 85,028	\$ -	\$ -	\$ -
Accrued liabilities	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-
Total liabilities	-	-	85,028	-	-	-
Fund balances						
Unreserved, undesignated	<u>306,784</u>	<u>6,371</u>	<u>238,860</u>	<u>-</u>	<u>67,089</u>	<u>2,004</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$306,784</u>	<u>\$6,371</u>	<u>\$ 323,888</u>	<u>\$ -</u>	<u>\$67,089</u>	<u>\$ 2,004</u>

D19 Project	Loop Project	Washington Street	Sibley Street	Total
\$ -	\$ -	\$ -	\$ -	\$ 382,173
148,300	60,728	294,278	71,689	898,958
<u>\$ 148,300</u>	<u>\$ 60,728</u>	<u>\$ 294,278</u>	<u>\$ 71,689</u>	<u>\$ 1,281,131</u>

\$ 51,892	\$ 17,314	\$ 651	\$ 71,689	\$ 226,574
144	-	-	-	144
79	2,500	-	-	2,579
<u>52,115</u>	<u>19,814</u>	<u>651</u>	<u>71,689</u>	<u>229,297</u>
<u>96,185</u>	<u>40,914</u>	<u>293,627</u>	<u>-</u>	<u>1,051,834</u>
<u>\$ 148,300</u>	<u>\$ 60,728</u>	<u>\$ 294,278</u>	<u>\$ 71,689</u>	<u>\$ 1,281,131</u>

CITY OF HOWELL, MICHIGAN
Combining Statement of Revenues, Expenditures and
Changes in Fund Balance - Nonmajor Capital Projects Funds
For the Year Ended June 30, 2008

	South Michigan Avenue	City Hall	M-59 Boardwalk	Clinton Street	M-59 Utilities	Skatepark
Revenues						
Investment earnings	\$ 7,605	\$ 148	\$ -	\$ -	\$ 168	\$ -
Other revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>201</u>
Total revenues	7,605	148	-	-	168	201
Expenditures						
Capital outlay	<u>161,616</u>	<u>4,986</u>	<u>190,040</u>	<u>56,246</u>	<u>-</u>	<u>1,405</u>
Revenue over (under) expenditures	(154,011)	(4,838)	(190,040)	(56,246)	168	(1,204)
Other financing sources						
Transfers in	<u>-</u>	<u>-</u>	<u>424,239</u>	<u>56,246</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(154,011)	(4,838)	234,199	-	168	(1,204)
Fund balances (deficits), beginning of year	<u>460,795</u>	<u>11,209</u>	<u>4,661</u>	<u>-</u>	<u>66,921</u>	<u>3,208</u>
Fund balances, end of year	<u><u>\$ 306,784</u></u>	<u><u>\$ 6,371</u></u>	<u><u>\$ 238,860</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 67,089</u></u>	<u><u>\$ 2,004</u></u>

<u>D19 Project</u>	<u>Loop Project</u>	<u>Washington Street</u>	<u>Sibley Street</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ -	\$ 7,921
-	-	-	-	201
-	-	-	-	8,122
<u>128,065</u>	<u>116,993</u>	<u>12,373</u>	<u>126,786</u>	<u>798,510</u>
(128,065)	(116,993)	(12,373)	(126,786)	(790,388)
<u>509,783</u>	<u>609,178</u>	<u>306,000</u>	<u>126,786</u>	<u>2,032,232</u>
381,718	492,185	293,627	-	1,241,844
<u>(285,533)</u>	<u>(451,271)</u>	<u>-</u>	<u>-</u>	<u>(190,010)</u>
<u>\$ 96,185</u>	<u>\$ 40,914</u>	<u>\$ 293,627</u>	<u>\$ -</u>	<u>\$1,051,834</u>

CITY OF HOWELL, MICHIGAN
Combining Statement of Net Assets
Internal Service Funds
June 30, 2008

	Equipment Pool	Department of Public Services	Self Insurance	Total
Assets				
Current assets:				
Cash and cash equivalents	\$ 383,480	\$ 434,555	\$ -	\$ 818,035
Cash on deposit with agent	-	-	148,438	148,438
Due from other funds	172,391	32,278	-	204,669
Due from component unit	389	-	-	389
Due from other governments	3,074	1,019	-	4,093
Total current assets	559,334	467,852	148,438	1,175,624
Noncurrent assets -				
Capital assets, net	738,322	161,197	-	899,519
Total assets	1,297,656	629,049	148,438	2,075,143
Liabilities				
Current liabilities:				
Accounts payable	17,201	5,503	-	22,704
Accrued payroll	2,123	2,999	-	5,122
Claims payable	-	-	61,993	61,993
Due to other funds	1,770	37,115	-	38,885
Compensated absences, current	4,333	33,354	-	37,687
Total current liabilities	25,427	78,971	61,993	166,391
Noncurrent liabilities -				
Compensated absences	1,362	878	-	2,240
Total liabilities	26,789	79,849	61,993	168,631
Net assets				
Invested in capital assets, net of related debt	738,322	161,197	-	899,519
Unrestricted	532,545	388,003	86,445	1,006,993
Total net assets	\$ 1,270,867	\$ 549,200	\$ 86,445	\$ 1,906,512

CITY OF HOWELL, MICHIGAN
Combining Statement of Revenues, Expenses
and Changes in Fund Net Assets
Internal Service Funds
For the Year Ended June 30, 2008

	Equipment Pool	Department of Public Services	Self Insurance	Total
Operating revenues				
Charges for services	\$ 535,352	\$ 231,046	\$ -	\$ 766,398
Other	2,121	17,143	-	19,264
	<u>537,473</u>	<u>248,189</u>	<u>-</u>	<u>785,662</u>
Operating expenses				
Personnel services	135,123	181,083	-	316,206
Materials and supplies	130,879	12,475	-	143,354
Contractual	-	28,224	-	28,224
Insurance	27,058	7,667	22,853	57,578
Maintenance	42,226	2,718	-	44,944
Other expense	8,455	46,316	-	54,771
Depreciation	224,938	20,971	-	245,909
	<u>568,679</u>	<u>299,454</u>	<u>22,853</u>	<u>890,986</u>
Operating loss	<u>(31,206)</u>	<u>(51,265)</u>	<u>(22,853)</u>	<u>(105,324)</u>
Nonoperating revenues				
Investment earnings	13,674	18,289	5,251	37,214
Gain on sale of capital assets	35,997	-	-	35,997
	<u>49,671</u>	<u>18,289</u>	<u>5,251</u>	<u>73,211</u>
Income before transfers	18,465	(32,976)	(17,602)	(32,113)
Transfers out	<u>-</u>	<u>(26,321)</u>	<u>-</u>	<u>(26,321)</u>
Change in net assets	18,465	(59,297)	(17,602)	(58,434)
Net assets, beginning of year	<u>1,252,402</u>	<u>608,497</u>	<u>104,047</u>	<u>1,964,946</u>
Net assets, end of year	<u>\$ 1,270,867</u>	<u>\$ 549,200</u>	<u>\$ 86,445</u>	<u>\$ 1,906,512</u>

CITY OF HOWELL, MICHIGAN
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2008

	Equipment Pool	Department of Public Services	Self Insurance	Total
Cash flows from operating activities				
Receipts from interfund services	\$ 403,526	\$ 215,911	\$ -	\$ 619,437
Payments to suppliers/claimants	(197,323)	(59,568)	16,953	(239,938)
Payments to employees	(132,783)	(181,137)	-	(313,920)
Net cash provided (used) by operating activities	73,420	(24,794)	16,953	65,579
Cash flows from non-capital financing activities				
Transfers out	-	(26,321)	-	(26,321)
Cash flows from capital and related financing activities				
Proceeds from sale of capital assets	35,997	-	-	35,997
Purchase of capital assets	(315,300)	(35,866)	-	(351,166)
Net cash used in capital and related financing activities	(279,303)	(35,866)	-	(315,169)
Cash flows from investing activities				
Interest received on investments	13,674	18,289	5,251	37,214
Net increase (decrease) in pooled cash and investments	(192,209)	(68,692)	22,204	(238,697)
Cash and cash equivalents, beginning of year	575,689	503,247	126,234	1,205,170
Cash and cash equivalents, end of year	<u>\$ 383,480</u>	<u>\$ 434,555</u>	<u>\$ 148,438</u>	<u>\$ 966,473</u>

Continued...

CITY OF HOWELL, MICHIGAN
Combining Statement of Cash Flows (Concluded)
Internal Service Funds
For the Year Ended June 30, 2008

	<u>Equipment Pool</u>	<u>Department of Public Services</u>	<u>Self Insurance</u>	<u>Total</u>
Reconciliation of operating loss to net cash provided (used) by operating activities				
Operating loss	\$ (31,206)	\$ (51,265)	\$ (22,853)	\$ (105,324)
Adjustments to reconcile operating income (loss) to net cash from operating activities:				
Depreciation	224,938	20,971	-	245,909
Changes in assets and liabilities:				
Due from other funds	(133,947)	(32,278)	-	(166,225)
Due from other governments	(451)	(323)	-	(774)
Prepaid items	3,995	2,423	-	6,418
Accounts payable	5,981	44	-	6,025
Accrued payroll/compensated absences	2,340	(54)	-	2,286
Due to other funds	1,770	35,688	-	37,458
Claims payable	-	-	39,806	39,806
	<u>-</u>	<u>-</u>	<u>39,806</u>	<u>39,806</u>
Net cash provided by operating activities	<u>\$ 73,420</u>	<u>\$ (24,794)</u>	<u>\$ 16,953</u>	<u>\$ 65,579</u>

CITY OF HOWELL, MICHIGAN
Statement of Changes in Assets and Liabilities
Tax Revolving Agency Fund
For the Year Ended June 30, 2008

	<u>Balance June 30, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2008</u>
Assets				
Cash and cash equivalents	<u>\$ 53,375</u>	<u>\$ 16,038,989</u>	<u>\$ 16,032,405</u>	<u>\$ 59,959</u>
Liabilities				
Undistributed receipts	<u>\$ 53,375</u>	<u>\$ 16,038,989</u>	<u>\$ 16,032,405</u>	<u>\$ 59,959</u>

DISCRETELY PRESENTED COMPONENT UNITS

CITY OF HOWELL, MICHIGAN
Statement of Net Assets and
Governmental Fund Balance Sheet
Downtown Development Authority Component Unit
June 30, 2008

	<u>Special Revenue</u>	<u>Adjustments</u>	<u>Statement of Net Assets</u>
Assets			
Cash and cash equivalents	\$ 672,845	\$ -	\$ 672,845
Accounts receivable	-	-	-
Prepaid items	1,750	-	1,750
Capital assets not being depreciated	-	152,884	152,884
Capital assets being depreciated, net	-	105,722	105,722
	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 674,595</u>	<u>258,606</u>	<u>933,201</u>
Liabilities			
Accounts payable	\$ 1,882	-	1,882
Accrued liabilities	3,272	-	3,272
Accrued interest payable	-	2,037	2,037
Due to primary government	389	-	389
Long-term liabilities:			
Due within one year	-	54,033	54,033
Due in more than one year	-	284,184	284,184
	<hr/>	<hr/>	<hr/>
Total liabilities	<u>5,543</u>	<u>340,254</u>	<u>345,797</u>
Fund balance			
Reserved for prepaid items	1,750	(1,750)	-
Unreserved, undesignated	667,302	(667,302)	-
	<hr/>	<hr/>	<hr/>
Total fund balance	<u>669,052</u>	<u>(669,052)</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 674,595</u>		
Net assets (deficit)			
Invested in capital assets, net of related debt		(71,394)	(71,394)
Unrestricted		658,798	658,798
		<hr/>	<hr/>
Total net assets		<u>\$ 587,404</u>	<u>\$ 587,404</u>

CITY OF HOWELL, MICHIGAN
Reconciliation of Fund Balances on the Balance Sheet
for Governmental Funds to Net Assets of
Governmental Activities on the Statement of Net Assets
Downtown Development Authority Component Unit
June 30, 2008

Fund balances - total governmental funds	\$ 669,052
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Amounts reported for *governmental activities* in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Add - capital assets	278,892
Deduct - accumulated depreciation	(20,286)

Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Deduct - bonds and payable	(330,000)
Deduct - accrued interest on bonds payable	(2,037)
Deduct - compensated absences	(8,217)
	<hr/>

Net assets of governmental activities	<u><u>\$ 587,404</u></u>
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CITY OF HOWELL, MICHIGAN
Statement of Activities and
Governmental Fund Revenues, Expenditures
and Changes in Fund Balances
Downtown Development Authority Component Unit
For the Year Ended June 30, 2008

	<u>Special Revenue</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Revenues			
Property taxes	\$ 515,657	\$ -	\$ 515,657
Intergovernmental	14,099	-	14,099
Investment earnings	<u>8,767</u>	<u>-</u>	<u>8,767</u>
Total revenues	<u>538,523</u>	<u>-</u>	<u>538,523</u>
Expenditures/expenses			
Community development	301,304	8,626	309,930
Debt service:			
Principal	80,000	(80,000)	-
Interest and fiscal charges	<u>13,600</u>	<u>3,720</u>	<u>17,320</u>
Total expenditures/expenses	<u>394,904</u>	<u>(67,654)</u>	<u>327,250</u>
Revenues over expenditures/expenses	143,619	67,654	211,273
Fund balances/net assets			
Beginning of year	<u>525,433</u>	<u>(149,302)</u>	<u>376,131</u>
End of year	<u><u>\$ 669,052</u></u>	<u><u>\$ (81,648)</u></u>	<u><u>\$ 587,404</u></u>

CITY OF HOWELL, MICHIGAN
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
Downtown Development Authority Component Unit
For the Year Ended June 30, 2008

Net change in fund balances - total governmental funds	\$ 143,619
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Amounts reported for *governmental activities* in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Add - capital outlay	2,562
Deduct - depreciation expense	(7,026)

Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Add - principal payments on long-term liabilities	80,000
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.

Deduct - increase in accrued interest payable on bonds	(3,720)
Deduct - increase in the accrual for compensated absences	(4,162)

Change in net assets of governmental activitie	<u>\$ 211,273</u>
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CITY OF HOWELL, MICHIGAN
Statement of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual
Downtown Development Authority Component Unit
For the Year Ended June 30, 2008

	Budget (Original and Final)	Actual	Actual Over (Under) Final Budget
Revenues			
Property taxes	\$ 519,745	\$ 515,657	\$ (4,088)
Intergovernmental	-	14,099	14,099
Investment earnings	9,500	8,767	(733)
	<u>529,245</u>	<u>538,523</u>	<u>9,278</u>
Total revenues	<u>529,245</u>	<u>538,523</u>	<u>9,278</u>
Expenditures			
Community development	434,651	301,304	(133,347)
Debt service:			
Principal	80,000	80,000	-
Interest and fiscal charges	14,109	13,600	(509)
	<u>528,760</u>	<u>394,904</u>	<u>(133,856)</u>
Total expenditures	<u>528,760</u>	<u>394,904</u>	<u>(133,856)</u>
Revenue over expenditures	485	143,619	143,134
Fund balance, beginning of year	<u>525,433</u>	<u>525,433</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 525,918</u></u>	<u><u>\$ 669,052</u></u>	<u><u>\$ 143,134</u></u>

CITY OF HOWELL, MICHIGAN
Statement of Net Assets and
Governmental Fund Balance Sheet
Tax Increment Financing Authority Component Unit
June 30, 2008

	<u>Special Revenue</u>	<u>Adjustments</u>	<u>Statement of Net Assets</u>
Assets			
Cash and cash equivalents	\$ 317,750	\$ -	\$ 317,750
Liabilities			
Accounts payable	\$ 6,581	-	6,581
Accrued liabilities	-	-	-
Accrued interest payable	-	741	741
Due to primary government	213,000	-	213,000
Due to other governmental units	19,437	-	19,437
Long-term liabilities:			
Due within one year	-	70,000	70,000
Due in more than one year	-	-	-
Total liabilities	239,018	70,741	309,759
Fund balance			
Unreserved, undesignated	78,732	(78,732)	-
Total liabilities and fund balance	<u>\$ 317,750</u>		
Net assets			
Unrestricted		<u>\$ 7,991</u>	<u>\$ 7,991</u>

CITY OF HOWELL, MICHIGAN
Reconciliation of Fund Balances on the Balance Sheet
for Governmental Funds to Net Assets of
Governmental Activities on the Statement of Net Assets
Tax Increment Financing Authority Component Unit
June 30, 2008

Fund balances - total governmental funds	\$ 78,732
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Amounts reported for *governmental activities* in the statement of net assets
are different because:

Certain liabilities, such as bonds payable, are not due and payable in the current
period and therefore are not reported in the funds.

Deduct - bonds and payable	(70,000)
Deduct - accrued interest on bonds payable	<u>(741)</u>

Net assets of governmental activities	<u><u>\$ 7,991</u></u>
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CITY OF HOWELL, MICHIGAN
Statement of Activities and
Governmental Fund Revenues, Expenditures
and Changes in Fund Balances
Tax Increment Financing Authority Component Unit
For the Year Ended June 30, 2008

	<u>Special Revenue</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Revenues			
Property taxes	\$ 162,441	\$ -	\$ 162,441
Investment earnings	295	-	295
	<u>162,736</u>	<u>-</u>	<u>162,736</u>
Expenditures/expenses			
Community development	88,814	-	88,814
Debt service:			
Principal	65,000	(65,000)	-
Interest and fiscal charges	8,923	-	8,923
	<u>162,737</u>	<u>(65,000)</u>	<u>97,737</u>
Total expenditures/expenses			
	<u>162,737</u>	<u>(65,000)</u>	<u>97,737</u>
Change in net assets	(1)	65,000	64,999
Fund balances/net assets (deficit)			
Beginning of year	78,733	(135,741)	(57,008)
End of year	<u>\$ 78,732</u>	<u>\$ (70,741)</u>	<u>\$ 7,991</u>

CITY OF HOWELL, MICHIGAN
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
Tax Increment Financing Authority Component Unit
For the Year Ended June 30, 2008

Net change in fund balances - total governmental funds	\$ (1)
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Amounts reported for *governmental activities* in the statement of activities
are different because:

Bond proceeds provide current financial resources to governmental funds in the period
issued, but issuing bonds increases long-term liabilities in the statement of net assets.
Repayment of bond principal is an expenditure in the governmental funds, but the
repayment reduces long-term liabilities in the statement of net assets.

Add - principal payments on long-term liabilities	<u>65,000</u>
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Change in net assets of governmental activitie	<u><u>\$ 64,999</u></u>
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CITY OF HOWELL, MICHIGAN
Statement of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual
Tax Increment Financing Authority Component Unit
For the Year Ended June 30, 2008

	Budget (Original and Final)	Actual	Actual Over (Under) Final Budget
Revenues			
Property taxes	\$ 200,272	\$ 162,441	\$ (37,831)
Investment earnings	1,000	295	(705)
	<u>201,272</u>	<u>162,736</u>	<u>(38,536)</u>
Expenditures			
Community development	127,200	88,814	(38,386)
Debt service:			
Principal	65,000	65,000	-
Interest and fiscal charges	9,072	8,923	(149)
	<u>201,272</u>	<u>162,737</u>	<u>(38,535)</u>
Net change in fund balance	-	(1)	(1)
Fund balance, beginning of year	<u>78,733</u>	<u>78,733</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 78,733</u></u>	<u><u>\$ 78,732</u></u>	<u><u>\$ (1)</u></u>

CITY OF HOWELL, MICHIGAN
Statement of Net Assets and
Governmental Fund Balance Sheet
Brownfield Redevelopment Authority Component Unit
June 30, 2008

	<u>Special Revenue</u>	<u>Adjustments</u>	<u>Statement of Net Assets</u>
Fund balance			
Unreserved, undesignated	<u>\$ (206,887)</u>	\$ 206,887	\$ -
Net assets			
Unrestricted (deficit)		<u>\$ (206,887)</u>	<u>\$ (206,887)</u>

CITY OF HOWELL, MICHIGAN
Statement of Activities and
Governmental Fund Revenues, Expenditures
and Changes in Fund Balances
Brownfield Redevelopment Authority Component Unit
For the Year Ended June 30, 2008

	<u>Special Revenue</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Expenditures/expenses			
Community development	\$ -	\$ -	\$ -
Fund balances/net assets (deficit)			
Beginning of year	<u>(206,887)</u>	<u>-</u>	<u>(206,887)</u>
End of year	<u><u>\$ (206,887)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (206,887)</u></u>

CITY OF HOWELL, MICHIGAN
Statement of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual
Brownfield Redevelopment Authority Component Unit
For the Year Ended June 30, 2008

	Budget (Original and Final)	Actual	Actual Over (Under) Final Budget
Expenditures			
Community development	\$ -	\$ -	\$ -
Fund deficit, beginning of year	<u>(206,887)</u>	<u>(206,887)</u>	<u>-</u>
Fund deficit, end of year	<u><u>\$ (206,887)</u></u>	<u><u>\$ (206,887)</u></u>	<u><u>\$ -</u></u>

STATISTICAL SECTION

STATISTICAL SECTION

This part of the City of Howell's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

<u>Contents</u>	<u>Page</u>
Financial Trends	
These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	83-87
Revenue Capacity	
These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	88-91
Debt Capacity	
These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	92-95
Demographic and Economic Information	
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	96-99

CITY OF HOWELL
Net Assets by Component
Last Six Fiscal Years (A)
(Accrual Basis of Accounting)

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Governmental Activities						
Invested in capital assets, net of related debt	\$ 10,724,574	\$ 11,322,108	\$ 11,436,684	\$ 13,459,142	\$ 14,279,336	\$14,543,522
Restricted	3,259,745	2,795,449	2,219,967	2,336,832	1,491,799	2,041,072
Unrestricted	<u>4,485,727</u>	<u>5,694,308</u>	<u>5,812,220</u>	<u>4,086,475</u>	<u>4,964,984</u>	<u>3,947,159</u>
Total net assets	<u>\$ 18,470,046</u>	<u>\$ 19,811,865</u>	<u>\$ 19,468,871</u>	<u>\$ 19,882,449</u>	<u>\$ 20,736,119</u>	<u>\$ 20,531,753</u>
Business-type Activities						
Invested in capital assets, net of related debt	\$ 24,849,791	\$ 24,630,292	\$ 24,571,102	\$ 24,387,860	\$ 24,389,250	\$23,913,728
Restricted	1,496,644	2,141,129	2,552,513	2,748,951	2,715,282	2,682,136
Unrestricted	<u>1,771,224</u>	<u>2,078,921</u>	<u>2,180,286</u>	<u>2,180,595</u>	<u>1,995,474</u>	<u>2,255,700</u>
Total net assets	<u>\$ 28,117,659</u>	<u>\$ 28,850,342</u>	<u>\$ 29,303,901</u>	<u>\$ 29,317,406</u>	<u>\$ 29,100,006</u>	<u>\$ 28,851,564</u>
Total Primary Government						
Invested in capital assets, net of related debt	\$ 35,574,365	\$ 35,952,400	\$ 36,007,786	\$ 37,847,002	\$ 38,668,586	\$ 38,457,250
Restricted	4,756,389	4,936,578	4,772,480	5,085,783	4,207,081	4,723,208
Unrestricted	<u>6,256,951</u>	<u>7,773,229</u>	<u>7,992,506</u>	<u>6,267,070</u>	<u>6,960,458</u>	<u>6,202,859</u>
Total net assets	<u>\$ 46,587,705</u>	<u>\$ 48,662,207</u>	<u>\$ 48,772,772</u>	<u>\$ 49,199,855</u>	<u>\$ 49,836,125</u>	<u>\$ 49,383,317</u>

(A) The City of Howell implemented GASB 34 as of and for the year ended June 30, 2003;
accordingly, data prior to fiscal 2003 is not readily available and, therefore, not presented.

Source: City of Howell Finance Department

CITY OF HOWELL
Changes in Net Assets
Last Six Fiscal Years (A)
(Accrual Basis of Accounting)

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Expenses						
Governmental activities:						
General government	\$ 1,826,039	\$ 1,283,291	\$ 2,069,478	\$ 2,448,448	\$ 2,268,264	\$ 2,243,338
Public safety	2,645,250	2,628,068	2,504,009	2,498,502	2,222,617	2,353,856
Public works	2,151,026	2,805,356	2,758,986	2,670,948	2,506,196	3,077,158
Community/economic development	93,122	388,261	273,059	221,693	458,052	445,503
Recreation and culture	1,131,035	1,147,987	1,195,748	1,203,894	1,033,796	1,226,387
Interest on long-term debt	185,272	145,376	127,312	175,081	114,360	101,267
Subtotal governmental activities	<u>8,031,744</u>	<u>8,398,339</u>	<u>8,928,592</u>	<u>9,218,566</u>	<u>8,603,285</u>	<u>9,447,509</u>
Business-type activities:						
Wastewater	1,884,234	1,775,224	1,985,496	2,091,317	1,894,502	2,164,104
Water	1,558,948	1,657,486	1,679,472	1,663,102	1,750,566	1,582,252
Subtotal business-type activities	<u>3,443,182</u>	<u>3,432,710</u>	<u>3,664,968</u>	<u>3,754,419</u>	<u>3,645,068</u>	<u>3,746,356</u>
Total expenses	<u>11,474,926</u>	<u>11,831,049</u>	<u>12,593,560</u>	<u>12,972,985</u>	<u>12,248,353</u>	<u>13,193,865</u>
Program revenues						
Governmental activities:						
Charges for services	1,190,516	1,172,933	1,099,916	1,015,502	1,311,888	1,225,174
Operating grants and contributions	782,401	880,908	901,754	831,575	1,205,603	1,104,710
Capital grants and contributions	1,406,838	743,728	179,655	1,331,436	-	78,410
Subtotal governmental activities	<u>3,379,755</u>	<u>2,797,569</u>	<u>2,181,325</u>	<u>3,178,513</u>	<u>2,517,491</u>	<u>2,408,294</u>
Business-type activities:						
Charges for services	3,082,743	3,072,564	3,157,392	3,141,911	3,190,942	3,335,940
Operating grants and contributions	-	-	-	-	14,516	28,735
Capital grants and contributions	1,769,500	1,103,703	959,616	612,406	151,740	48,007
Subtotal business-type activities	<u>4,852,243</u>	<u>4,176,267</u>	<u>4,117,008</u>	<u>3,754,317</u>	<u>3,357,198</u>	<u>3,412,682</u>
Total program revenues	<u>8,231,998</u>	<u>6,973,836</u>	<u>6,298,333</u>	<u>6,932,830</u>	<u>5,874,689</u>	<u>5,820,976</u>
Net (expense)/revenue						
Governmental activities	(4,651,989)	(5,600,770)	(6,747,267)	(6,040,053)	(6,085,794)	(7,039,215)
Business-type activities	1,409,061	743,557	452,040	(102)	(287,870)	(333,674)
Total net expense	<u>(3,242,928)</u>	<u>(4,857,213)</u>	<u>(6,295,227)</u>	<u>(6,040,155)</u>	<u>(6,373,664)</u>	<u>(7,372,889)</u>

Continued...

CITY OF HOWELL
Changes in Net Assets (Concluded)
Last Six Years (A)
(Accrual Basis of Accounting)

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
General revenues						
Governmental activities:						
Property taxes	\$ 4,992,192	\$ 5,275,208	\$ 5,042,691	\$ 5,048,896	\$ 5,497,264	\$ 5,664,783
State shared revenues	963,171	892,382	867,744	860,697	837,797	833,353
Unrestricted investment earnings	180,962	89,134	127,135	183,198	252,886	230,228
Other	198,714	624,270	303,851	296,899	55,115	43,011
Transfers	61,595	61,595	62,852	63,941	62,740	63,474
Subtotal governmental activities	<u>6,396,634</u>	<u>6,942,589</u>	<u>6,404,273</u>	<u>6,453,631</u>	<u>6,705,802</u>	<u>6,834,849</u>
Business-type activities:						
Investment earnings	62,569	40,109	45,977	69,996	133,210	148,706
Miscellaneous	5,718	10,612	18,394	7,552	-	-
Transfers	(61,595)	(61,595)	(62,852)	(63,941)	(62,740)	(63,474)
Subtotal business-type activities	<u>6,692</u>	<u>(10,874)</u>	<u>1,519</u>	<u>13,607</u>	<u>70,470</u>	<u>85,232</u>
Total general revenues	<u>6,403,326</u>	<u>6,931,715</u>	<u>6,405,792</u>	<u>6,467,238</u>	<u>6,776,272</u>	<u>6,920,081</u>
Change in net assets						
Governmental activities	1,744,645	1,341,819	(342,994)	413,578	620,008	(204,366)
Business-type activities	<u>1,415,753</u>	<u>732,683</u>	<u>453,559</u>	<u>13,505</u>	<u>(217,400)</u>	<u>(248,442)</u>
Total change in net assets	<u>\$ 3,160,398</u>	<u>\$ 2,074,502</u>	<u>\$ 110,565</u>	<u>\$ 427,083</u>	<u>\$ 402,608</u>	<u>\$ (452,808)</u>

(A) The City of Howell implemented GASB 34 as of and for the year ended June 30, 2003; accordingly, data prior to fiscal 2003 is not readily available and, therefore, not presented.

Source: City of Howell Finance Department

CITY OF HOWELL
Fund Balances - Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
General Fund					
Reserved	\$ 231,043	\$ 196,534	\$ 114,974	\$ 224,916	\$ 208,781
Unreserved	<u>1,826,593</u>	<u>2,115,166</u>	<u>2,440,017</u>	<u>2,119,237</u>	<u>1,948,857</u>
Total general fund	<u><u>\$ 2,057,636</u></u>	<u><u>\$ 2,311,700</u></u>	<u><u>\$ 2,554,991</u></u>	<u><u>\$ 2,344,153</u></u>	<u><u>\$ 2,157,638</u></u>
All Other Governmental Funds					
Reserved	\$ 909,236	\$ 1,094,608	\$ 483,184	\$ 1,107,215	\$ 1,101,534
Unreserved, reported in:					
Special revenue funds	1,464,364	1,166,182	3,811,682	2,962,936	2,054,457
Debt service funds	-	-	-	-	-
Capital project funds	1,818,179	2,303,102	693,116	531,628	326,858
Permanent fund - expendable	<u>786,988</u>	<u>858,387</u>	<u>942,994</u>	<u>999,267</u>	<u>931,575</u>
Total all other governmental funds	<u><u>\$ 4,978,767</u></u>	<u><u>\$ 5,422,279</u></u>	<u><u>\$ 5,930,976</u></u>	<u><u>\$ 5,601,046</u></u>	<u><u>\$ 4,414,424</u></u>

Source: City of Howell Finance Department

Schedule 3
Unaudited

<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
\$ 226,848	\$ 279,210	\$ 131,709	\$ 104,927	\$ 124,367
<u>2,528,197</u>	<u>2,391,546</u>	<u>2,303,340</u>	<u>3,210,298</u>	<u>1,699,156</u>
<u><u>\$ 2,755,045</u></u>	<u><u>\$ 2,670,756</u></u>	<u><u>\$ 2,435,049</u></u>	<u><u>\$ 3,315,225</u></u>	<u><u>\$ 1,823,523</u></u>
\$ 1,021,877	\$ 1,062,881	\$ 968,621	\$ 474,849	\$ 463,858
2,108,269	1,259,981	448,989	346,190	381,029
-	-	-	409,107	300,986
586,497	967,264	672,659	(190,010)	1,051,834
<u>462,962</u>	<u>472,436</u>	<u>505,330</u>	<u>501,241</u>	<u>504,927</u>
<u><u>\$ 4,179,605</u></u>	<u><u>\$ 3,762,562</u></u>	<u><u>\$ 2,595,599</u></u>	<u><u>\$ 1,541,377</u></u>	<u><u>\$ 2,702,634</u></u>

CITY OF HOWELL
Changes in Fund Balances - Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
Revenue					
Property taxes	\$ 3,941,232	\$ 4,227,835	\$ 4,428,908	\$ 4,535,067	\$ 4,992,192
Special assessments	154,351	126,155	370,664	470,139	171,737
Licenses and permits	109,296	151,754	188,350	333,646	258,454
Intergovernmental	2,615,136	2,551,451	2,401,921	2,179,778	2,081,733
Charges for services	506,372	553,470	505,289	566,295	600,069
Fines and forfeitures	48,928	63,106	67,686	73,801	65,205
Investment earnings	95,427	83,854	85,790	93,240	78,144
Other	1,530,566	1,411,177	899,911	1,246,206	667,991
Total revenue	<u>9,001,308</u>	<u>9,168,802</u>	<u>8,948,519</u>	<u>9,498,172</u>	<u>8,915,525</u>
Expenditures					
General government	1,934,651	1,297,307	1,309,823	1,542,438	1,699,930
Public safety	2,352,872	2,643,534	2,621,753	2,725,181	2,651,355
Public works	1,599,728	1,762,240	1,886,165	2,585,014	2,060,108
Highways and streets	[1] -	-	-	-	-
Community development	[2] -	-	-	-	-
Culture and recreation	817,355	940,106	946,973	1,038,205	1,052,507
Other	-	230,457	237,413	116,051	26,000
Capital outlay	3,028,563	2,202,071	890,347	1,493,323	2,099,731
Debt service:					
Principal	381,965	310,000	320,000	355,000	730,000
Interest	239,972	216,727	208,973	202,797	185,272
Total expenditures	<u>10,355,106</u>	<u>9,602,442</u>	<u>8,421,447</u>	<u>10,058,009</u>	<u>10,504,903</u>
Revenues over (under) expenditures	<u>(1,353,798)</u>	<u>(433,640)</u>	<u>527,072</u>	<u>(559,837)</u>	<u>(1,589,378)</u>
Other financing sources (uses)					
Sale of land	134,963	706,450	1,308,883	-	-
Proceeds from debt	525,000	-	477,192	-	-
Transfers in	4,428,657	3,877,782	2,373,341	2,768,557	3,176,906
Transfers out	(3,989,660)	(3,524,415)	(2,097,795)	(2,802,515)	(2,960,665)
Total other financing sources (uses)	<u>1,098,960</u>	<u>1,059,817</u>	<u>2,061,621</u>	<u>(33,958)</u>	<u>216,241</u>
Net change in fund balance	<u>\$ (254,838)</u>	<u>\$ 626,177</u>	<u>\$ 2,588,693</u>	<u>\$ (593,795)</u>	<u>\$ (1,373,137)</u>
Debt services as a percentage of noncapital expenditures	<u>8.49%</u>	<u>7.12%</u>	<u>7.02%</u>	<u>6.51%</u>	<u>10.89%</u>

[1] Separately reported from public works beginning with fiscal 2007.

[2] Separately reported from recreation and culture beginning with fiscal 2007.

Source: City of Howell Finance Department

Schedule 4
Unaudited

<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
\$ 5,275,208	\$ 5,042,691	\$ 5,048,896	\$ 5,497,264	\$ 5,664,783
110,920	97,330	82,973	97,910	91,080
267,170	239,650	195,127	325,669	191,641
2,035,452	1,515,320	1,597,585	1,972,470	1,865,661
764,939	714,381	789,436	628,131	676,970
85,265	94,056	76,793	61,207	90,408
94,942	109,473	131,569	190,533	170,038
520,898	671,332	606,881	386,110	346,016
<u>9,154,794</u>	<u>8,484,233</u>	<u>8,529,260</u>	<u>9,159,294</u>	<u>9,096,597</u>
2,133,910	2,007,881	2,242,082	2,090,869	2,096,592
2,616,134	2,463,515	2,549,303	2,149,547	2,230,139
1,741,711	2,276,665	1,738,788	1,012,289	1,292,321
-	-	-	647,685	902,227
-	-	-	437,717	417,776
1,049,894	1,086,072	1,122,107	984,162	1,170,644
53,790	81,862	9,000	-	-
747,106	2,306,868	1,869,011	1,489,605	798,510
335,000	355,000	455,000	460,000	485,000
145,376	127,312	174,856	147,206	123,625
<u>8,822,921</u>	<u>10,705,175</u>	<u>10,160,147</u>	<u>9,419,080</u>	<u>9,516,834</u>
<u>331,873</u>	<u>(2,220,942)</u>	<u>(1,630,887)</u>	<u>(259,786)</u>	<u>(420,237)</u>
-	-	-	-	-
-	1,700,000	-	-	-
2,630,616	2,460,674	2,569,350	1,912,405	3,981,764
(2,599,901)	(2,441,064)	(2,505,409)	(1,826,665)	(3,891,969)
<u>30,715</u>	<u>1,719,610</u>	<u>63,941</u>	<u>85,740</u>	<u>89,795</u>
<u>\$ 362,588</u>	<u>\$ (501,332)</u>	<u>\$ (1,566,946)</u>	<u>\$ (174,046)</u>	<u>\$ (330,442)</u>
<u>5.95%</u>	<u>5.74%</u>	<u>7.60%</u>	<u>7.66%</u>	<u>6.98%</u>

CITY OF HOWELL
Changes in Fund Balances - General Fund
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	1999	2000	2001	2002	2003
Revenue					
Property taxes	\$ 3,941,232	\$ 4,227,835	\$ 4,428,908	\$ 4,535,067	\$ 4,992,192
Licenses and permits	109,296	151,754	188,350	333,646	258,454
Intergovernmental	1,627,229	1,763,195	1,858,703	1,635,060	1,170,065
Charges for services	387,851	430,932	381,232	416,614	442,518
Fines and forfeitures	48,928	63,106	67,686	73,801	65,205
Investment earnings	28,618	33,410	28,333	45,201	31,631
Other	606,465	745,340	621,195	506,237	542,831
Total revenue	<u>6,749,619</u>	<u>7,415,572</u>	<u>7,574,407</u>	<u>7,545,626</u>	<u>7,502,896</u>
Expenditures					
General government	1,333,417	1,297,307	1,309,823	1,542,438	1,699,930
Public safety	2,348,087	2,636,085	2,616,260	2,715,844	2,645,083
Public works	371,379	393,091	381,454	529,231	454,815
Community development	[1] -	-	-	-	-
Culture and recreation	817,355	940,106	946,973	1,038,205	1,052,507
Capital outlay	446,386	414,220	186,759	578,415	233,519
Debt service	143,251	66,994	64,924	63,772	423,064
Total expenditures	<u>5,459,875</u>	<u>5,747,803</u>	<u>5,506,193</u>	<u>6,467,905</u>	<u>6,508,918</u>
Revenues over (under) expenditures	<u>1,289,744</u>	<u>1,667,769</u>	<u>2,068,214</u>	<u>1,077,721</u>	<u>993,978</u>
Other financing sources (uses)					
Sale of land	134,963	-	-	-	-
Transfers in	353,300	585,450	64,168	583,218	865,454
Transfers out	(1,629,757)	(1,999,155)	(1,889,091)	(1,871,777)	(2,045,947)
Total other financing sources (uses)	<u>(1,141,494)</u>	<u>(1,413,705)</u>	<u>(1,824,923)</u>	<u>(1,288,559)</u>	<u>(1,180,493)</u>
Net change in fund balance	<u>\$ 148,250</u>	<u>\$ 254,064</u>	<u>\$ 243,291</u>	<u>\$ (210,838)</u>	<u>\$ (186,515)</u>

[1] Separately reported from culture and recreation beginning with fiscal 2007.

Source: City of Howell Finance Department

Schedule 5
Unaudited

<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
\$ 5,275,208	\$ 5,042,691	\$ 5,048,896	\$ 5,497,264	\$ 5,664,783
267,170	239,650	195,127	325,669	191,641
929,868	912,469	919,763	883,506	876,002
150,730	97,572	163,312	159,740	155,279
85,265	94,056	76,793	60,507	77,790
32,044	60,258	45,159	146,621	138,819
366,786	438,184	471,488	292,308	250,638
<u>7,107,071</u>	<u>6,884,880</u>	<u>6,920,538</u>	<u>7,365,615</u>	<u>7,354,952</u>
2,133,910	2,007,881	2,242,082	2,010,805	1,993,404
2,610,594	2,460,640	2,544,557	2,149,547	2,230,139
495,302	624,005	402,223	394,366	532,599
-	-	-	341,617	353,576
116,957	149,733	155,952	32,143	33,054
136,025	86,557	92,282	-	-
-	-	-	-	-
<u>5,492,788</u>	<u>5,328,816</u>	<u>5,437,096</u>	<u>4,928,478</u>	<u>5,142,772</u>
<u>1,614,283</u>	<u>1,556,064</u>	<u>1,483,442</u>	<u>2,437,137</u>	<u>2,212,180</u>
-	-	-	-	-
672,133	18,889	14,600	104,651	117,732
(1,689,009)	(1,659,242)	(1,898,025)	(1,661,612)	(3,821,614)
<u>(1,016,876)</u>	<u>(1,640,353)</u>	<u>(1,883,425)</u>	<u>(1,556,961)</u>	<u>(3,703,882)</u>
<u>\$ 597,407</u>	<u>\$ (84,289)</u>	<u>\$ (399,983)</u>	<u>\$ 880,176</u>	<u>\$ (1,491,702)</u>

CITY OF HOWELL
Taxable and Estimated Actual Value of Property
Last Ten Fiscal Years

As of Dec. 31,	FYE June 30,	Real Property (1)		Personal Property (1)		Total		(2) Total
		Taxable Value	Estimated Actual Value	Taxable Value	Estimated Actual Value	Taxable Value	Estimated Actual Value	Direct Tax Rate
2006	2008	\$347,346,063	\$856,348,600	\$60,521,500	\$121,043,000	\$407,867,563	\$ 977,391,600	14.9443
2005	2007	332,296,418	859,172,600	60,354,390	120,749,800	392,650,808	979,922,400	14.9443
2004	2006	326,307,535	806,534,800	66,317,700	132,635,400	392,625,235	939,170,200	14.9443
2003	2005	310,336,055	769,924,000	61,569,200	123,138,400	371,905,255	893,062,400	14.9443
2002	2004	293,166,811	737,623,600	64,033,600	128,067,200	357,200,411	865,690,800	14.9443
2001	2003	276,281,384	670,470,000	65,239,300	130,478,600	341,520,684	800,948,600	16.0443
2000	2002	256,669,960	600,408,600	68,413,900	136,827,800	325,083,750	737,236,400	16.0443
1999	2001	234,967,551	547,169,800	70,440,300	140,880,600	305,717,851	688,050,400	16.112
1998	2000	220,832,293	494,347,400	74,401,200	148,802,400	295,233,493	643,149,800	16.1898
1997	1999	214,115,810	463,185,200	66,055,400	132,110,800	280,171,210	595,296,000	16.3683

(1) Includes properties subject to Industrial Facility Tax exemptions.

(2) Per \$1,000 of taxable value.

Source: City of Howell Finance Department

CITY OF HOWELL
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years
(rate per \$1,000 of taxable value)

Fiscal Year Ended June 30,	City	Howell Public Schools	State Education Tax	Livingston Educational Service Agency	County	Howell Carnegie District Library	Howell Area Fire Authority	Total Homestead	Total Non- Homestead
2008	14.94430	24.56000	6.00000	2.33610	3.88420	0.69200	1.06940	35.48600	53.48600
2007	14.94430	24.64000	6.00000	2.33610	3.88420	0.69200	1.06940	35.56600	53.56600
2006	14.94430	24.74000	6.00000	2.35070	3.90200	0.69200	1.06940	35.69840	53.69840
2005	14.94430	24.74000	6.00000	2.35070	3.90200	0.87720	1.07580	35.89000	53.89000
2004	14.94430	24.92000	6.00000	2.38240	3.91680	0.98780	1.09080	36.24210	54.24210
2003	16.04430	24.67000	6.00000	2.40880	4.14540	1.01800	1.10000	37.38650	55.38650
2002	16.04430	23.28000	6.00000	2.44840	4.01500	1.04860	0.00000	34.83630	52.83630
2001	16.11200	23.28000	6.00000	2.47880	4.23680	1.08500	0.00000	35.19260	53.19260
2000	16.18980	23.27500	6.00000	2.52130	4.37870	1.12930	0.00000	35.49410	53.49410
1999	16.36830	22.82860	6.00000	2.57140	4.46610	1.17210	0.00000	36.02790	53.40650

Source: Livingston County

CITY OF HOWELL
Principal Property Taxpayers
Current Year and Nine Years Ago

Taxpayer	2008			1999		
	(1) Taxable Valuation	Rank	% of Total City Taxable Value	(1) Taxable Valuation	Rank	% of Total City Taxable Value
Ogihara America	\$ 32,611,135	1	8.00%	\$ 3,530,580	7	1.26%
Citizens Insurance Co.	16,709,302	2	4.10%	15,372,647	1	5.49%
PBG Michigan	10,730,200	3	2.63%	3,415,893	8	1.22%
Burwick Farms Apartments	8,492,500	4	2.08%	5,429,526	5	1.94%
Detroit Edison	7,006,000	5	1.72%	5,809,850	4	2.07%
Key Plastics	6,950,250	6	1.70%	7,505,200	2	2.68%
Alpha Tech	5,842,408	7	1.43%	2,783,743	10	0.99%
International Paper	5,704,424	8	1.40%	4,193,713	6	1.50%
Yorkshire Apartments	4,091,303	9	1.00%	-	-	0.00%
Chem-Trend Limited	3,709,749	10	0.91%	-	-	0.00%
National Beverages, Inc.	-	-	0.00%	7,214,200	3	2.57%
FMW Investment Co	-	-	0.00%	2,787,994	9	1.00%
	<u>\$ 101,847,271</u>		<u>24.97%</u>	<u>\$ 58,043,346</u>		<u>20.72%</u>

(1) Includes ad valorem and Industrial Facilities Tax properties.

Source: City of Howell Finance Department

CITY OF HOWELL
Property Tax Levies and Collections
Last Ten Fiscal Years

(1) Fiscal Year Ended June 30,	(2) Taxies Levied for the Fiscal Year	Collected Within the Fiscal Year of the Levy		(3) Delinquent Collections	Total Collections to Date	
		Amount	% of Levy		Amount	% of Levy
1999	\$ 4,059,225	\$ 3,899,100	96.06%	\$ 153,819	\$ 4,052,919	99.84%
2000	4,395,875	4,253,562	96.76%	131,806	4,385,368	99.76%
2001	4,578,148	4,445,351	97.10%	130,217	4,575,568	99.94%
2002	4,862,310	4,708,881	96.84%	149,443	4,858,324	99.92%
2003	5,171,663	5,002,881	96.74%	165,880	5,168,761	99.94%
2004	5,530,304	5,353,032	96.79%	174,395	5,527,427	99.95%
2005	5,402,159	5,208,416	96.41%	190,985	5,399,401	99.95%
2006	5,727,045	5,433,675	94.88%	288,658	5,722,333	99.92%
2007	5,762,657	5,448,966	94.56%	308,266	5,757,232	99.91%
2008	5,978,741	5,629,130	94.15%	341,177	5,970,307	99.86%

- (1) Property taxes are levied July 1 of the current fiscal year based on taxable property values as of the preceding December 31. Unpaid property taxes become delinquent as of August 1 of the current fiscal year. The City's delinquent real property taxes are purchased by Livingston County. Uncollected personal property taxes must be collected by the City Treasurer.
- (2) Includes Industrial Facility Tax. Taxies levied for 2004 and 2005 have been adjusted to STC ruling.
- (3) Includes settlement payment from Livingston County Treasurers department for purchase of delinquent real property tax roll.

Source: City of Howell Finance Department

CITY OF HOWELL
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Governmental activities										
General obligation bonds	\$ 1,395,000	\$ 1,305,000	\$ 1,210,000	\$ 1,110,000	\$ 1,000,000	\$ 1,385,000	\$ 2,920,000	\$ 2,665,000	\$ 2,395,000	\$ 2,110,000
Special assessment bonds	<u>1,135,000</u>	<u>1,055,000</u>	<u>970,000</u>	<u>880,000</u>	<u>785,000</u>	<u>685,000</u>	<u>580,000</u>	<u>460,000</u>	<u>340,000</u>	<u>210,000</u>
	2,530,000	2,360,000	2,180,000	1,990,000	1,785,000	2,070,000	3,500,000	3,125,000	2,735,000	2,320,000
Business-type activities										
Revenue bonds	<u>2,755,000</u>	<u>2,570,000</u>	<u>2,380,000</u>	<u>2,180,000</u>	<u>1,975,000</u>	<u>1,760,000</u>	<u>1,535,000</u>	<u>1,300,000</u>	<u>1,060,000</u>	<u>810,000</u>
Total outstanding debt	<u><u>\$ 5,285,000</u></u>	<u><u>\$ 4,930,000</u></u>	<u><u>\$ 4,560,000</u></u>	<u><u>\$ 4,170,000</u></u>	<u><u>\$ 3,760,000</u></u>	<u><u>\$ 3,830,000</u></u>	<u><u>\$ 5,035,000</u></u>	<u><u>\$ 4,425,000</u></u>	<u><u>\$ 3,795,000</u></u>	<u><u>\$ 3,130,000</u></u>
Ratio of total debt to taxable value	1.89%	1.67%	1.49%	1.28%	1.10%	1.07%	1.35%	1.13%	0.97%	0.77%
Total debt per capita	\$ 649	\$ 534	\$ 494	\$ 446	\$ 397	\$ 396	\$ 518	\$ 454	\$ 385	\$ 313
% of personal income	2.05%	1.21%	1.12%	1.01%	0.90%	0.90%	1.18%	1.03%	0.88%	0.71%

Source: City of Howell Finance Department

CITY OF HOWELL
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years

<u>Year</u>	<u>General Obligation Bonds Outstanding</u>	<u>Less: Amounts Available in Debt Service Funds</u>	<u>Total</u>	<u>% of Actual Taxable Value of Property</u>	<u>Per Capita</u>
2008	\$ 2,320,000	\$ 300,986	\$ 2,019,014	0.50%	\$ 201.66
2007	2,735,000	409,107	2,325,893	0.59%	236.04
2006	3,125,000	504,963	2,620,037	0.67%	268.58
2005	3,500,000	615,803	2,884,197	0.78%	296.73
2004	2,070,000	711,076	1,358,924	0.38%	140.49
2003	1,785,000	789,779	995,221	0.29%	105.09
2002	1,990,000	795,376	1,194,624	0.37%	127.63
2001	2,180,000	407,856	1,772,144	0.58%	191.96
2000	2,360,000	221,001	2,138,999	0.72%	231.69
1999	2,530,000	232,919	2,297,081	0.82%	281.95

Source: City of Howell Finance Department

CITY OF HOWELL
Computation of Net Direct and Overlapping Debt
As of June 30, 2008

	<u>Gross Amount Outstanding</u>	<u>Self-Supporting or Paid by Benefited Entity</u>	<u>Net Amount Outstanding</u>
Direct debt			
General obligation bonds	\$ 3,130,000	\$ 1,210,000	\$ 1,920,000
Special assessment bonds	<u>530,000</u>	<u>530,000</u>	<u>-</u>
Net direct debt	<u><u>\$ 3,660,000</u></u>	<u><u>\$ 1,740,000</u></u>	<u>1,920,000</u>
Overlapping debt			
Howell School District (16.17%)			27,135,039
Livingston County (4.48%)			798,954
Livingston Intermediate School District (5.09%)			<u>123,178</u>
Net overlapping debt			<u>28,057,171</u>
Net direct and overlapping debt			<u><u>\$ 29,977,171</u></u>

Source: Municipal Advisory Council of Michigan

CITY OF HOWELL
Legal Debt Margin
Last Ten Fiscal Years

Legal debt margin calculation for fiscal 2008

Assessed value (excluding IFT values)	<u>\$ 459,272,900</u>
Debt limit (10% of assessed value)	\$ 45,927,290
Less: net debt applicable to limit	<u>(2,320,000)</u>
Legal debt margin	<u>\$ 43,607,290</u>

	<u>Debt Limit</u>	<u>Total Net Debt Applicable to Limit</u>	<u>Legal Debt Margin</u>	<u>Total Net Debt Applicable to Limit as a Percentage of Debt Limit</u>
2008	\$ 45,927,290	\$ 2,320,000	\$ 43,607,290	5.05%
2007	47,394,820	2,735,000	44,659,820	5.77%
2006	47,522,740	3,125,000	44,397,740	6.58%
2005	45,308,710	3,500,000	41,808,710	7.72%
2004	42,587,720	2,070,000	40,517,720	4.86%
2003	40,846,570	1,785,000	39,061,570	4.37%
2002	36,082,690	1,990,000	34,092,690	5.52%
2001	32,191,470	2,180,000	30,011,470	6.77%
2000	29,708,300	2,360,000	27,348,300	7.94%
1999	26,011,260	2,530,000	23,481,260	9.73%

Source: City of Howell Finance Department

CITY OF HOWELL
Revenue Bond Coverage - Water Fund
Last Ten Fiscal Years

Fiscal Year Ended June 30,	(1) Gross Revenue	(2) Operating Expenses	Net Revenue Available for Debt Service	Total Debt Service Requirement	Coverage
2008	\$ 1,915,860	\$ 1,236,715	\$ 679,145	\$ 305,147	2.23
2007	1,805,630	1,412,583	393,047	304,208	1.29
2006	1,770,708	1,315,133	455,575	295,674	1.54
2005	1,769,570	1,330,099	439,471	294,695	1.49
2004	1,736,731	1,302,647	434,084	293,325	1.48
2003	1,797,084	1,222,942	574,142	290,669	1.98
2002	1,665,915	1,119,762	546,153	294,320	1.86
2001	1,684,339	1,084,242	600,097	291,081	2.06
2000	1,671,166	1,039,965	631,201	293,251	2.15
1999	1,681,299	1,024,721	656,578	323,734	2.03

(1) Includes investment income.

(2) Excludes depreciation expense.

Source: City of Howell Finance Department

CITY OF HOWELL
Demographic and Economic Statistics
Last Ten Years

<u>Year</u>	<u>Population</u>	<u>Personal Income (in thousands)</u>	<u>Per Capita Personal Income</u>	<u>Unemployment Rate</u>
2008	10,012	\$ 43,958	\$ 19,836	*
2007	9,854	43,958	19,887	6.70%
2006	9,755	43,958	19,863	*
2005	9,720	43,958	19,709	*
2004	9,673	43,958	19,459	5.70%
2003	9,470	43,958	19,458	6.00%
2002	9,360	43,958	19,462	5.50%
2001	9,232	43,958	19,465	4.20%
2000	9,232	43,958	18,365	2.90%
1999	8,147	31,674	16,943	*

* Not readily available for the City.

Note: Personal income is equal to the median household income and only available per the decennial census data.

Source: Livingston County Department of Planning

CITY OF HOWELL
Principal Employers
Current Year and Five Years Ago (1)

Employer	2008			2003		
	Employees	Rank	Percentage of Total	Employees	Rank	Percentage of Total
Citizens Insurance	970	1	16.72%	950	2	16.81%
St Joseph Mercy Hospital	888	2	15.31%	718	3	12.71%
Howell Public Schools	820	3	14.14%	1,054	1	18.65%
Livingston County	632	4	10.90%	580	4	10.27%
Livingston Educational Service	479	5	8.26%	431	6	7.63%
Pepsi Cola Company	380	6	6.55%	*		*
Tri State Hospital Supply	262	7	4.52%	*		*
Ogihara America Corp	256	8	4.41%	480	5	8.50%
Alpha Technology	205	9	3.53%	*		*
Key Plastics	190	10	3.28%	*		*
	<u>5,082</u>		<u>87.62%</u>	<u>4,213</u>		<u>74.57%</u>
Estimated total city employment	<u>5,800</u>			<u>5,650</u>		

* Not available.

(1) Data prior to 2003 is not readily available.

Source: Livingston County Department of Planning and The EDC of Livingston County

CITY OF HOWELL
Full Time Equivalent Governmental Employees by Function/Program
Last Four Fiscal Years (1)

Function/Program	Full Time Equivalent Employees as of June 30			
	2005	2006	2007	2008
General Government				
City Manager	2	2	2	1.5
Asst City Manager/ Human Resources	1	1	1	1
City Clerk	1	1	1	1
Finance	7.5	7.5	7	6
Information Technology	1	1	1	1
Engineering	1.5	1.5	1	1
Community Development	3.5	3.5	4.5	4.5
Public Safety (Police)	26.5	26.5	24.5	24.5
Public Works				
Department of Public Works	16.25	16.25	15.5	15.5
Water Treatment Plant	6.5	5.5	5	5
Waste Water Treatment Plant	6.5	6.5	5	5
Parks and cemetery	6.75	6.75	6.75	6.75
Parks and recreation	7.75	7.75	7.5	7.5
Total	<u>87.75</u>	<u>86.75</u>	<u>81.75</u>	<u>80.25</u>

(1) Only four years of data are readily available; data will be collected and added each year going forward.

Source: City of Howell Human Resources Department

CITY OF HOWELL
Operating Indicators by Function/Program
Last Six Fiscal Years (1)

Function/Program	2003	2004	2005	2006	2007	2008
Election Data						
Registered voters	6,654	6,968	6,948	6,954	7,057	6389
Voters (at the polls or absentee)	331	4,320	656	1,431	3,295	1335
Percentage voting	4.97%	62.00%	9.44%	20.58%	46.69%	20.90%
Police						
Traffic citations	*	*	4,215	3,315	2,700	4,943
Parking citations	*	*	2,251	1,556	1,633	1,658
Arrests	*	*	339	291	228	279
Calls for service	*	*	*	9,787	7,639	10,941

* Not readily available.

(1) Only six years of data are readily available; data will be collected and added each year going forward

Source: City of Howell

CITY OF HOWELL
Capital Asset Statistics by Function/Program
Last Ten Fiscal Years

Function/Program	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Police										
Police department building	1	1	1	1	1	1	1	1	1	1
Vehicle patrol units	11	11	11	11	11	11	11	11	11	11
Fire										
The City is a member of the Howell Area Fire Authority along with four surrounding townships; the Authority provides fire protection and emergency services.										
Number stations serving City	2	2	2	2	2	2	2	2	2	2
Fire units serving City:										
Fire engines	7	7	7	7	7	7	7	7	7	7
Ladder trucks	1	1	1	1	1	1	1	1	1	1
Rescue vehicles	2	2	2	2	2	2	2	2	2	2
Brush trucks	4	4	4	4	4	4	4	4	4	4
Boats	3	3	3	3	3	3	3	3	3	3
Public Works										
City streets:										
Miles of major streets	11.98	11.98	11.98	12.18	12.18	12.18	12.18	12.18	12.18	12.18
Miles of local streets	20.62	20.62	20.62	22.10	22.11	22.11	22.11	22.92	23.32	23.32
Sewer:										
Miles of sanitary mains	41.0	41.0	41.0	41.0	41.4	43.0	43.0	43.0	43.0	43.0
Miles of storm sewers	40.6	40.6	40.6	40.6	41.8	43.2	43.7	45.5	45.6	45.6
Treatment capacity	1.8/mg	2.45/mg	2.45/mg	2.45/mg	2.45/mg	2.45/mg	2.45/mg	2.45/mg	2.45/mg	2.45/mg
Water:										
Miles of water mains	53.8	53.8	53.8	53.8	55.9	57.7	57.9	57.9	58.3	58.3
Number of fire hydrants	382	382	382	382	385	398	398	398	400	400
Treatment capacity	3.1/mgd	3.1/mgd	3.1/mgd	3.1/mgd	3.1/mgd	3.1/mgd	3.1/mgd	3.1/mgd	3.1/mgd	3.1/mgd
Parks and Recreation										
Parks:										
City	11	11	11	11	11	11	11	11	11	11
Skate	-	-	-	-	-	-	-	-	1	1
Park acreage	41.3	41.3	41.3	41.3	41.3	41.3	41.3	42.3	42.3	42.3
Boat launches	1	1	1	1	1	1	1	1	1	1
Play structures	8	8	8	8	8	8	8	8	8	8
Recreation center	2	2	2	2	2	2	2	2	2	2
Tennis courts	5	5	5	5	5	5	5	5	5	5
Swimming beach area	1	1	1	1	1	1	1	1	1	1
Pavilions	6	6	6	6	6	6	6	6	6	6

Source: City of Howell



REHMANN ROBSON

Certified Public Accountants

A member of THE REHMANN GROUP



**COMMUNICATION WITH THOSE CHARGED
WITH GOVERNANCE UNDER SAS NO. 114**

November 19, 2008

To the Honorable Mayor and City Council
of the City of Howell, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the *City of Howell* for the year ended June 30, 2008, and have issued our report thereon dated November 19, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under Auditing Standards Generally Accepted in the United States of America

As stated in our engagement letter dated August 6, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. As part of our audit, we considered the internal control of the City. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control. We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to the City in our meeting about planning matters on August 14, 2008.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the City are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Management's estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future.
- Management's estimate of the accrued compensated absences is based on current hourly rates and policies regarding payment of sick and vacation banks.
- Management's estimate of the insurance claims incurred but not reported is based on information provided by the entity's third party administrators and subsequent claims activity.

We evaluated the key factors assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such matters.

In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 19, 2008.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the City Council and management of the *City of Howell* and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink, appearing to read "Lehmann Johnson", is positioned below the closing text.

City of Howell

Comments and Recommendations

For the Year Ended June 30, 2008

In planning and performing our audit of the financial statements of the City of Howell as of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the City's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

Other Matters

Information Technology. The City does not require the use of complex passwords that use multiple characters, such as upper case, lower case, numbers and/or symbols, in order to access its computer network or applications therein. Also, the City does not have policies or procedures that require software sessions to be *timed-out* after a predetermined period of inactivity. Since both measures are reasonable for maintaining access control over the City's information technology, we recommend that these measures be implemented.

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